

Eyes on to mobile as video game expo starts in LA

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In this March 23, 2012, file photo, Actress Kaley Cuoco uses a mobile phone as she sits with an unidentified man courtside at the NBA basketball game between the Portland Trail Blazers and Los Angeles Lakers in Los Angeles. The Electronic Entertainment Expo conference, which officially starts Tuesday, June 5, 2012, in Los Angeles, is still the place to showcase all the big blockbusters and flashy console games, but games for smartphones and tablets are increasingly in the minds of game developers. (AP Photo/Danny Moloshok, File)

(AP) — Games for smartphones, tablet computers and Facebook are becoming essential for major video game companies even as the industry's largest U.S. trade show remains largely a showcase for their latest flashy console titles.

The Electronic Entertainment Expo conference kicked off in Los

Angeles on Tuesday amid a startling reality for the industry: Revenue from traditional video games is on the decline, despite more people playing games than ever.

Even the companies best known for hardcore shooters and racing games can't ignore those dynamics in the age of "Angry Birds" and "Words With Friends."

For instance, Take-Two Interactive Software Inc., the company behind hardcore console games such as "Grand Theft Auto" and "BioShock," is unveiling several mobile games at the show this week. One of them is inspired by this year's presidential elections — "Comedy Central's Indecision [Game](#)."

Zynga Inc., whose games are played mainly on Facebook and mobile devices, will have a presence at E3 for the first time. Though the company isn't planning any announcements, it will be meeting with game developers at the conference.

In many ways, the video game industry itself is following the career trajectory of "Words With Friends" creator Paul Bettner.

Bettner had worked on hardcore video games such as "Halo" for some 15 years before the birth of the iPhone inspired him and his brother to create "Words With Friends." That game went on to become highly popular, famously credited with getting actor Alec Baldwin kicked off an airplane for not shutting it off at takeoff.

Now, when Bettner thinks about what games he wants to create next, he thinks about what games his wife would want to play.

"That's another way of saying what games does everyone want to play?" he says.

Nick Earl, the head of Electronic Arts Inc.'s mobile and social studios, sees all game labels bringing their best titles to mobile devices.

He cites EA's "FIFA" soccer games as a good example. Separate versions are available for game consoles and mobile devices.

Earl says the mobile versions help expand the gaming audience, with newcomers and returning players who have not been gaming for a while.

"The iPhone initially started out at pure mass-casual games, like 'Scrabble,'" he says. Now, the games are becoming more serious, more immersive and, especially on tablets, more like the games people are used to playing in their living rooms.

Players "want to be able to dive into the game regardless of what device they are on," Earl says.

While people typically buy traditional video games up front, paying as much as \$60 a disc for the latest blockbuster, mobile games are generally free or cheap to play.

For free games, companies make money when gamers pay a few dollars here and there for optional virtual items and more in-depth experiences. Paid games typically cost less than \$7.

Even if relatively few people end up paying, it's often enough because mobile games cost less to make and distribute than traditional games, which can cost tens of millions of dollars to develop.

Games for the iPhone, the iPad and Android devices are more popular than ever. Of the 10 most popular paid apps on iTunes, five are games.

By contrast, brick-and-mortar retail sales of video games discs, consoles

and accessories declined in the double-digit percentages in the first four months of 2012, compared with a year earlier, according to the latest numbers available from market researcher NPD Group.

That said, the majority of the industry's revenue is still generated from traditional games. About two-thirds of the roughly \$1 billion that people spent on games in April went to new, physical retail games, according to NPD.

That's one reason companies are still making new blockbusters. At E3, EA is showcasing games such as the shooter "Battlefield 3," "Need for Speed Most Wanted" and "Dead Space 3," for example.

But mobile games offer the potential to tap into a new audience.

"Revenue is rising, but the number of players is rising faster," Gartner analyst Brian Blau says of the overall game software market. "Not all players are being monetized to the fullest extent."

Zynga, for example, has some 250 million people playing its games on Facebook each month, but only a small number of them pay money for the virtual cows, poker chips and other digital items.

Zynga partly makes up for it by releasing games and updates every couple of months rather than once or twice a year, as traditional game companies do. Its popular titles include "FarmVille," "Zynga Poker" and "Draw Something." Zynga has also bought Bettner's "Words with Friends" and employs him to create more titles.

If companies such as Zynga can get more people to pay, it could mean big opportunity for a genre that is still in its early stages.

For small-time game developers, the fact that it's much easier to create

an iPhone game app than a blockbuster shooter for the Xbox is spurring new job prospects.

"A few years ago, independent developers couldn't support themselves making mobile games," says Joe Minton, the president of Digital Development Management, a talent agency for video game developers.

But [mobile games](#) are becoming so popular that now they can. He notes that in the U.K., most of the large console game companies are gone, and smaller mobile game developers have sprung up in their place.

One remaining hurdle might be attracting the most dedicated gamers.

Rob Pardo, vice president of game design at "Diablo III" developer Blizzard, believes mobile and social gamers moving to the hardcore realm would need to be a natural transition. It's not something the industry could force, but needs to be something that players themselves want.

"What I'm excited to see is when these social gamers start wanting something with higher fidelity and a little bit more gameplay, maybe they'll come to 'Diablo III' or 'Diablo IV,'" he said.

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