Nokia: game as a signal of maturity of mobile phone market
Francesc Miralles, e-Business Center Associated Researcher

While Nokia announced that it will release its N-Gage device, newspapers have published that the Finnish company is going to cut 550 jobs in its infrastructure area of broadband network, in order to accomplish a rationalization process. Apparently, there is no relation between both items of news but, is there one?

We can deduce that Nokia has decided to transfer its efforts from infrastructures to consumption.

From the point of view of integration, this change can be read as a step up to a higher level. The company would be betting on a development of features for the end user rather than an enlargement of the basic infrastructures of the broadband network.

The fact that Nokia has bet on the game market can be seen as an attempt to consolidate its position in the youth sector. In fact, the entrance in the game sector seems easy for a mobile phone maker: the technology to make games work in mobile devices already exists, games can be bought through licensing fees to third parties and, the most important element, the mobile phone is its core business.

In this light, the move of the Finnish manufacturer must be seen as the maturity of an existing business model rather than the entrance into new sectors.

The value of N-Gage lies in satisfying a greater range of consumption needs of youth entertainment. With this device, users can play network games through mobile network infrastructures. In fact, there are two options to offer this service: provide mobile phones with play capacity (Nokia’s option) or, from the other side of the stick, enabling mobile access to game consoles (an option that some traditional consoles already offer).

Having seen the technical viability of the product, and that this can respond to a possible business model, the only thing left to do is to analyse the market and ask: how many young people (and not so young) are going to renounce their videogames console to play through a mobile phone? Or, from the opposite point of view, how many people will buy a mobile phone that, in addition, allows them to play with other players in the world, but with a keyboard and a display as the size of a mobile phone?

It seems that Nokia has not yet decided on the price nor on the way of entering the market. So maybe the mobile phone maker has still not solidly defined the launch and position strategy of its new device. We need to wait and see how events develop... will it be with a new reorganisation?