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## How to Make Money off Free iPhone Games

Illusion Labs, creator of the App Store hit Labyrinth, scores by producing a variation of the game as a marketing tool for a beer brand

by [Jay Yarow](#)

Can developing free software for mobile phones be a business? It can if you're Illusion Labs, a fledgling company in the Swedish port city of Malmö.

Illusion Labs was started a year ago by Carl Loodberg and Andreas Alptun, who had worked together at another Swedish company called TAT, designing software for companies including [Samsung](#) and Nvidia ([NVDA](#)). They set up their own company so they could concentrate on developing applications specifically for Apple's iPhone. "When the iPhone came out, we were excited about the big screen, the graphics chip, and the good components," says Loodberg. "We thought it was an opportunity too big to pass up."

It looks like they were right. The first game they developed has become one of the most popular pieces of software for the iPhone. The game is called Labyrinth, a digital update to the old wooden box on which you maneuver a small silver ball through a maze while avoiding cut-out holes the ball could plunge into. The game, which is available for free from Apple's ([AAPL](#)) iTunes, is being downloaded 80,000 times a day, according to Loodberg, and is getting rave reviews from users. "Controls extremely precise," wrote one person on iTunes. "Smooth, very fluid, and is realistic," wrote another.

While the game is free, its success could mean rich rewards for Illusion Labs. The company is selling a souped-up version of the game, which is also quite popular, for \$6.99 on iTunes. More promising, advertising agencies have contacted the company to develop variations on the game with the logos of advertisers embedded in them.

### MARKETING AND MOBILE PHONES

Already, Illusion Labs has designed a game called iPint for Carling beer, with the London-based ad agency Beattie McGuinness Bungay (BMB). In iPint, an iPhone user tilts her phone to guide a beer down a bar through a variety of obstacles and into a waiting hand. Once the beer arrives at its destination, the screen changes into a pint glass with Carling's logo on it. It then fills up with a virtual beer, which disappears when the phone is tilted to simulate drinking from a glass. Loodberg and Alptun won't comment specifically on how much they were paid for the work.

This is a new era for marketing and mobile phones. In the past, phonemakers including Nokia ([NOK](#)) and Motorola ([MOT](#)) and wireless operators such as AT&T ([T](#)) and Verizon Wireless ([VZ/VOD](#)) kept tight control over what people could do with their mobile phones. That's changing now, as wireless players let customers install new applications on their phones and go where they want on the mobile Web.

Apple, whose phones are sold exclusively through AT&T in the U.S., has been at the leading edge of the trend. When Apple announced its iPhone 3G last month, it also unveiled the iTunes App Store, which lets any independent software developer market its products to the phone's users. Already, there are more than 1,000 applications being offered by developers, from Illusion Labs to Major League Baseball to eBay ([EBAY](#)). Other wireless carriers are following the approach of Apple and AT&T. Verizon Wireless has said it will open its network to outsiders. In the future, there will be more opportunities for

developers who want to work with a wide range of phones, from Apple's devices to Research In Motion's ([RIMM](#)) BlackBerry to the mobile phones of HTC.

### **RIFFING ON THE ACCELEROMETER**

Loodberg, 28, and Alptun, 30, started working on Labyrinth even before they found out they would be able to market it through iTunes. They first developed the program last year for iPhones that were "unlocked," or hacked so that they could be used on unauthorized wireless networks.

One reason they decided to work on Labyrinth was because the iPhone has an unusual technology called an accelerometer, a motion sensor that tracks when the device is tilted one way or the other. The technology is what allows you to hold the phone screen up, drop one side slightly, and send a digital ball rolling to the lower end of the phone. "I showed it to my 92-year-old grandmother, who never used a mobile phone or the Internet, and she immediately understood the game," says Loodberg.

The bootleg version of the game proved popular in certain circles. But it couldn't be loaded onto an iPhone last year without violating the company's terms of service. Indeed, BMB contacted Illusion Labs in November 2007 about designing a game for a marketing campaign. But the client opted to hold off until there was a sanctioned way to market applications to iPhone users. Widespread popularity came only after Apple set up the iTunes Store so applications like Labyrinth could be installed with Apple's blessing.

### **APP AS MARKETING TOOL**

While this is one of the first iPhone applications used as a marketing tool, it is certainly not the last. "We have a lot of interest to do free, branded iPhone applications," says Joe Grigsby of VML, an interactive marketing company that has worked with Burger King ([BKC](#)), Colgate ([CL](#)), and Intuit's ([INTU](#)) TurboTax in the past.

"Marketers were hesitant initially. They did not understand what applications would be popular or what the market would be," says Grigsby. "[But now] there are a lot of opportunities. [Advertisers] and agencies see this as a chance to develop original branded content." VML is now working on four different free, branded applications.

As for Illusion's partners, the two Swedes have turned a few heads, even beyond BMB. Loodberg says two companies have expressed interest in buying Illusion Labs, one ad agency and one game publisher. "They realize there is a great opportunity in branded applications. They're not just boring banner ads," he says. Still, Loodberg and Alptun aren't ready to sell, at least not yet. "We would like to stay independent," says Loodberg. "We like to create things that we really like."

[Yarow](#) is a reporter for *BusinessWeek*.

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