



In-Game Advertising

Gaming is a global phenomenon and presents huge opportunities for advertisers

initiative



In-game advertising

Video games are no longer the preserve of geeks and hardcore enthusiasts. Gaming is now a huge global entertainment phenomenon and presents a great opportunity for advertisers.

In-game advertising - essentially the practice of serving ads into a game's virtual environment - is an effective and relevant way to reach audiences that spend an increasing amount of time with games.

In-game ads can be targeted based on location, demographics, or time. They are effective at increasing awareness and purchase intent. In the future, there will be direct response mechanisms built into the formats, and the level of integration will become even deeper.

GAMING PRESENTS HUGE OPPORTUNITIES FOR ADVERTISERS

The global gaming phenomenon

Video gaming is a massive industry. In 2009, the industry posted worldwide revenues of \$57bn according to DFC Intelligence. The industry is divided into two broad groups: casual and core. Casual games are easy for a new gamer to pick up and play. They are usually on the PC, although they are also available for mobile phones, handheld devices, and Nintendo's Wii. Core games - the more traditional types of games with steep learning curves and complex gameplay - are on both the PC and consoles, though the market share between the two depends on geography. In the US, consoles have the larger user base for core gaming.

For casual games, the major players are usually specific to the local language. For example, in the US, Yahoo! Games is a major gaming property, but in German speaking countries, GMX.net is one of the most searched for game portals. For English speaking countries, besides Yahoo!, some of the major players are Electronic Arts' (EA) Pogo.com and Playfish, Zynga, and WildTangent. Nintendo has a strong presence with both casual gamers and core gamers with its DS system, the Wii, and the proprietary franchises for both systems. The other major core game players are Sony with the PS3, and Microsoft with the Xbox 360. Major game publishers include EA, Ubisoft, and Activision.

For core games, there are now longstanding content franchises worthy of note. Nintendo has the iconic Mario, The Legend of Zelda, and the Pokémon franchises. Microsoft has the rights to Halo. Sony has the God of War games. EA has The Sims, FIFA Soccer, NBA Live, Madden NFL, Tiger Woods, and Rock Band. Ubisoft has Tom Clancy's Ghost Recon/Rainbow Six/Splinter Cell franchises, Assassin's Creed, Rayman, and Prince of Persia. Activision has the Call of Duty franchise (including the record holding Modern Warfare 2), Guitar Hero, and the Tony Hawk skateboarding games.



WHAT IS IN-GAME ADVERTISING?

Put simply, in-game advertising is serving ads into a game environment, but the nuances vary dramatically. For some 3D games, in-game ads appear as posters or billboards in the virtual world. For online 2D casual games, in-game ads can replace an object in the game with a branded product, or even serve a branded quest into the game for a week long run.

In-game ads can be "static" or "dynamic." Static in-game ads are baked into the retail version of the game, such that every player will be exposed to the ads throughout the existence of the game. Static ads can be delivered to offline gamers, and the level of integration exceeds dynamic ads. However, the static format is not generally recommended - except for simple product placement - as it involves a complicated and costly buying process which is unable to meet specific deadlines and there is also a lack of measurement.

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That inventory can be as simple as a billboard in a sports stadium or as complex as a plot hook leading to a branded quest. Depending on the party serving the ads, dynamic in-game ads can be targeted based on user demographics, geo-targeted, and day-parted. Impressions can be measured and reported. Unfortunately, dynamic ads require the game to be played online to work. This issue becomes marginalized as consoles become increasingly connected and distribution skews toward digital distribution and downloadable content. For casual and social games, there is substantial opportunity for in-game advertising due to the inherent connectedness of the platforms. However, the space overall is still fragmented, so while some properties have in-game ad solutions, not all casual games offer this.

THE BENEFITS OF IN-GAME ADVERTISING?

There are substantial benefits to be gained by a presence in-game, including awareness and purchase consideration lifts, but the core argument to be made in favor of in-game advertising is that of attention shift. According to ESA, 68% of US households play video games. While it shouldn't be a surprise that over 82% of tweens and teens consider themselves gamers (source EPD), there's been a dramatic growth among boomers - over 25% of US adults over 50 play games (ESA). Overall, gamers spend an average of eight hours a week playing online games (potentially addressable by dynamic advertising). Of US gamers, 60% are male, and 40% are female. As video games take on an increasing role in consumers' lives, brands that engage in the medium become increasingly relevant. Additionally, as the space is still evolving, it hasn't yet become overrun by advertising. Increased relevancy and greater share of voice should be very attractive to brands.

Internationally, the behavior of gamers varies between regions. As an example, in China, only 68 million people play online games, roughly 7% of the population (Niko Partners). Gaming takes place on the PC in Internet cafes and 87% of these gamers are male, and 81% are under 25. Even within fairly similar markets, there are variances. In the US, 46% of social game players are over 50, whereas in the UK it's only 23% (PopCap Games). When considering in-game advertising for a given market, figuring out the specific

behavior and demographics is clearly crucial. Also, it is important to bear in mind that in-game advertising capabilities don't always extend across geographies for a given platform.

The scale and speed of this attention shift is dangerous to ignore. Many people reading this will be familiar with the slide showing how long it has taken different media to reach a scale of 50 million users. Radio took 38 years. TV took 13. But social gaming site Farmville, which launched on June 19th 2009, reached 50 million users by October 1st of the same year. Currently, over 20 million of Farmville's 80 million plus monthly active users visit the application every day.

Social games present a very exciting opportunity for marketers. Traditionally, gaming has been treated as a silo in media plans, but this is changing. Now, a mobile or search call-to-action can drive activity to other media channels, and content or messaging can unify in-game elements and separate platforms. Because most social games utilize Facebook as a core platform, they are adjacent to one of the major touch-points in many social media campaigns. The social gaming market is still quite nascent, but it can be expected to evolve quickly to allow for ad formats that bridge in-game units with Facebook fan pages and social content, delivering true cross-media integrations.

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IN-GAME ADVERTISING DELIVERS BREAKTHROUGH RESULTS

In-game ads are effective at increasing brand awareness and purchase intent, and especially effective at priming audiences for engagements and sponsorships within associated gaming environments. Consumer sentiment regarding in-game ads depends on how naturally they fit within a game environment.

Microsoft's Massive, an in-game ad serving company for the PC and Xbox 360, has regularly performed research with Interpret around their in-game ad services. Across over 85 studies from 2006, the performance of in-game ads has been found to increase purchase intent by 24%, brand recommendation by 23%, and overall brand rating by 32%.

Joint research led by Initiative and Microsoft has found interesting comparisons between Xbox LIVE dashboard ads and TV. The research found that while TV spots have fixed lengths of 30 or 60 seconds, interaction with the Xbox LIVE dashboard ads nears or exceeds 300 seconds. This has obvious benefits. For one brand, unaided recall for the Xbox LIVE dashboard ad was 90%, whereas recall for the TV ad was only 78%. The Xbox LIVE dashboard ad also resulted in higher levels of cognitive and emotional response than the TV ad.

For cross-media comparisons of in-game ads specifically, Hall & Partners Research for all Massive in-game campaigns sees ad recall for in-game ads at 56%, versus TV at 32%, or online and print at 17% and 18% respectively.



When you should consider in-game advertising

If you are looking to reach an 18-34 year old audience and want to avoid clutter, then you should consider in-game advertising. It is also a great platform to reach children and when they are most engaged. You should also consider in-game advertising when there is contextual relevance. If your brand or creative is aligned with the theme or environment of the game, then you are likely to be able to achieve meaningful exchanges with a high concentration of your target.

What categories are big in in-game advertising?

Entertainment brands have a natural fit with the gaming environment. However, there are a wide range of categories that are seeing the benefits of in-game: if your audience are active gamers or your category fits in the environment of the game then it could be for you. Automotive, beverages, fast food brands, and a host of packaged goods advertisers have all seen the benefits of in-game advertising. But if you are financial services brand, it's probably not for you.

What type of communication is most suited to in-game advertising?

Gamers are focused on their game, so you need to keep messages simple and direct. This makes it ideal for awareness campaigns. It is also effective at increasing purchasing intent and especially effective at priming audiences for engagements and sponsorships within associated gaming environments. You can use in-game to support other media when you are looking to achieve frequency against a hard-to-reach audience with a brand awareness campaign. If your wider campaign is static and highly visual, in-game can be a great medium to boost awareness.

MAJOR BRANDS SEE THE BENEFIT OF IN-GAME ADVERTISING

Many global brands are now seeing the benefits of investing in in-game advertising. This can be as part of an integrated, multiplatform campaign, or through standalone in-game activity. Here are three examples from Initiative of brands that have used in-game advertising to deliver against their strategic goals.

Kia Soul

With the launch of the new Kia Soul, Initiative faced the problem of low awareness and low consideration, as well as potential purchasers rejecting Kia as they did not recognise it as a leading US brand. The Soul is a gadget-laden, design-led car, so Initiative decided to break with tradition and position the car as a leader style, a car that is young and different. This saw mobile applications for iPhone and Android, partnerships with DJ/dance music magazine BPM, a heavy Facebook presence and in-game advertising.

Initiative secured ads both on the Xbox LIVE dashboard and in several games, including NBA Live 09 and Skate 2. Research revealed that for purchase consideration, using in-game saw a lift of 33%, using Xbox LIVE saw a lift of 13%, but using a combination of the two saw a total lift of 96%. The results of purchase recommendation saw similarly impressive results.

Initiative's work with Kia on Xbox also far exceeded the average results across all automotive advertisers for Massive. Where the Kia hybrid group saw a 96% lift in purchase consideration, the Massive Auto average was only 18%.

About a third of the Kia in-game ads served contained a call-to-action for gamers to text in. By the end of the campaign, the rough response rate was 1 text message per 1300 impressions. Considering the difficulty in getting a gamer to take the time to text in a keyword to a shortcode in the middle of a high speed online gaming session, this is an amazing result.





Dr Pepper

One of Dr Pepper's goals is to be the beverage of choice for gamers, and so it became the sponsor of Major League Gaming (MLG). The brand's target is all adults 18 – 24, but recognising the importance of reaching males in this audience and with a strategy to highlight the MLG sponsorship, Initiative embarked on a campaign focused on in-game advertising.

Ads for Dr Pepper were served into the game environment of Skate 2 on the Xbox 360. In Skate 2, Initiative roadblocked many placements within the game for a single week. The creative highlighted Dr Pepper's Major League Gaming sponsorship.

Dr Pepper already had a much higher metrics for likelihood to purchase, recommendation to purchase, and overall brand rating than the average Massive advertisers, so there was less room to raise these metrics. Despite these already above norm metrics, there were still significant lifts that took place. For likelihood to purchase, the group exposed to the in-game ad saw a 10% lift. This was also higher than the average 3% lift for likelihood to purchase that the other four campaigns taking place in Skate 2 saw.

What was particularly interesting was seeing the brand attribute lift for "Dr Pepper has contests/sweepstakes that are relevant to me." This attribute saw the largest lift between the groups, with a 48% lift. This was due in part to the co-branded creative elements calling out the MLG sponsorship.



Lionsgate: "The Spy Next Door"

With the launch of Lionsgate's family film The Spy Next Door, Initiative had the dual task of engaging with both children and parents. In order to gain mass reach with both targets, a large proportion of the budget was devoted to TV – kids and co-viewing programming – and was supported with outdoor, online and some radio.

However, recognising in-game advertising's power to achieve high engagement with children, and with the launch of the film coinciding with the school holidays, when the target would be spending more time gaming, Initiative included in-game advertising within the mix.



Online virtual world Poptropica – which boasts over 75 million registered users - has a game environment segmented into several islands, one of which is "Spy Island". This was the perfect environment to promote The Spy Next Door. Unlike ads into the Xbox, where the ad format is a very structured image replacement into a billboard or poster, the creative execution for Poptropica allowed for the creation of a branded quest around the storyline of the film. A house was created in the game, and a character stood outside asking players to go into the house, find the characters from the film and help to defend against invading spies.

Of the players that saw the house in the game, several million entered it with an engagement rate of over 13%. Of those that saw the house, 8% played through the quest once inside, and of those 17% clicked through to the movie's site. Of those that entered the house, 6% navigated to the video room and watched the trailer for the film. Overall, the campaign performed roughly 30% better than the averages for entertainment advertisers on Poptropica.



WHAT'S THE FUTURE FOR IN-GAME ADS?

The future of in-game advertising is a bright one. The opportunities on the horizon could easily move in-game advertising into a must-do for activating social engagement or creating immersive brand experiences.

Recently, Massive announced a partnership with ComScore to address the lack of third party measurement needed to compare in-game exposures with other media channels. As current and upcoming campaigns run, it will be interesting to see how ComScore's measurement of the activity matches to Massive's and the extent to which this enhances the role of in-game media for brands.

Complicating this issue - though increasing potential opportunities - is the recent news from EA that they will no longer be working with third party ad servers for serving ads into their games, instead opting to sell the ads directly. EA has been outspoken about moving from seeing games as products to seeing games as services, with additional content over an extended period of time. The opportunities that come out of this will greatly increase the relevance of in-game brand engagements for audiences, with formats likely allowing dynamic serving of fully-fledged game experiences built around the brand.

Built-in facial recognition will allow for more accurate targeting of dynamically served ads

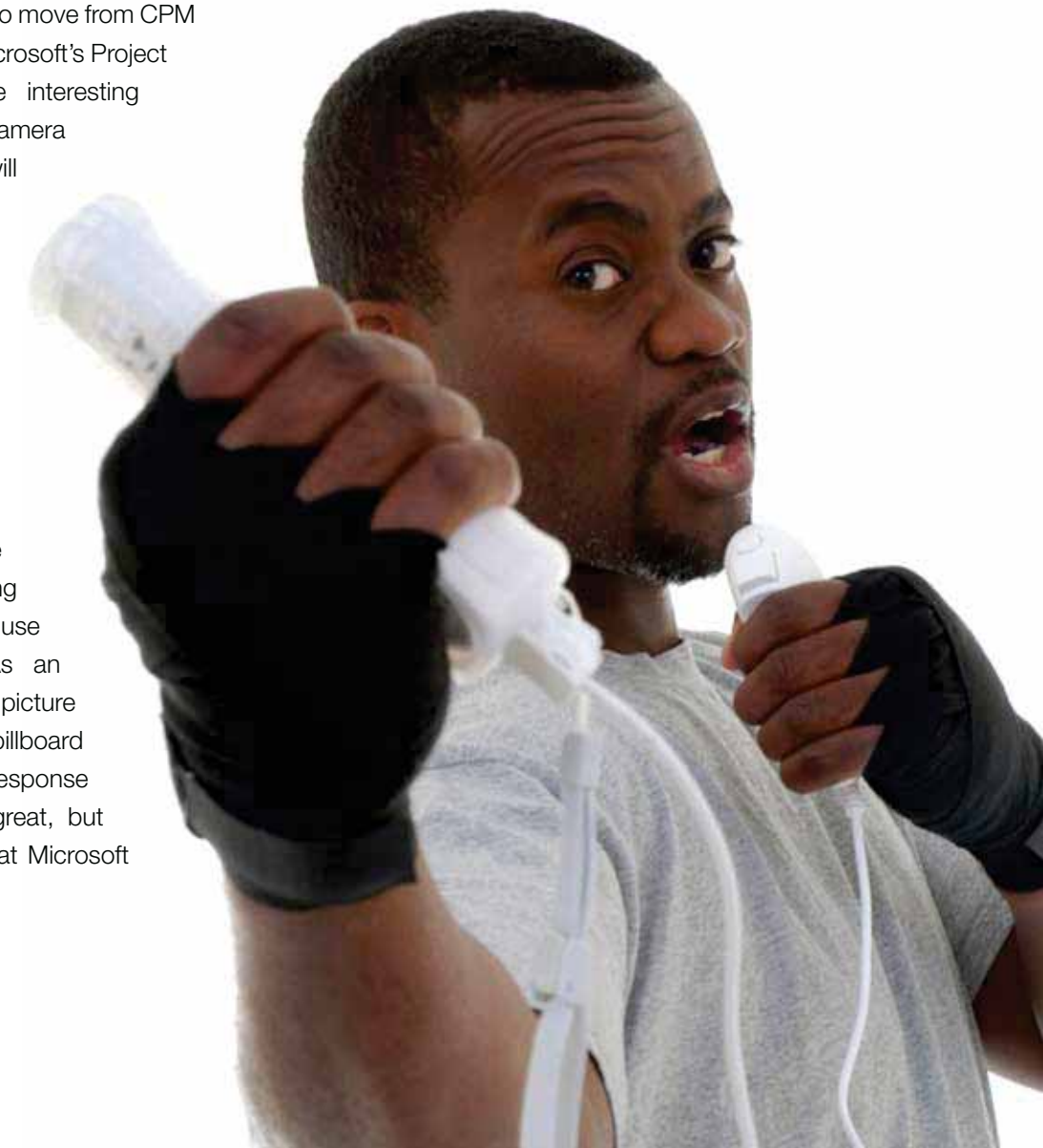
The growing social games movement should be of particular interest to advertisers. Whereas traditional games only offer passive ad engagements on a one-to-one basis, social games allow for direct response and are built on the premise of viral growth. These games are built from the ground up as viral engagements that keep users coming back frequently, and as such are well positioned to deliver results for advertisers. Expect to see in-game ad formats and opportunities being built around integration with a brand's social media strategy. The possibilities include: in-game content that unlocks based on user engagement on a Facebook page, or brand engagements in the game being seeded out to an individual's social network.

The dos and don'ts of in-game advertising

- **Do** keep creative and messaging simple and straightforward.
- **Do** make sure your messaging is relevant and tailored to the target.
- **Do** use the most vibrant colours within your brand palette, but don't produce creative that is too bold/out of keeping with the environment and that will spoil the gaming experience for your target.
- **Don't** use messaging that is inappropriate for the environment – gamers are quick to tweet, blog and post about brands that annoy them.
- **Don't** attempt to use as a cheap reach medium, but use instead for impactful cut-through.



And what about the potential to move from CPM to a cost per smile or hug? Microsoft's Project Natal should provide some interesting opportunities. The infrared camera add-on for the Xbox 360 will allow for a "controller-less" experience. In the immediate sense, the built-in facial recognition will allow for more accurate targeting of dynamically served ads for logged in accounts. Farther out, Natal will both broaden the demographics using the console, and open up the opportunity for more engaging ads that get consumers to use their bodies to interact. As an example, pantomiming a picture frame around an in-game billboard might be a method of direct response for a RFI. The potential is great, but the reality will depend on what Microsoft decides to support.



About Initiative

Initiative (www.initiative.com) is a media communications company that transforms media exchanges into marketing results through a commitment to performance.

Initiative believes that all marketing should be performance-driven. Data, analytics, insight and innovation are central to all our services, and we hold ourselves fully accountable to client business goals.

This commitment to performance is the heart of Initiative's unique process and culture. Owned by the Interpublic Group, Initiative is part of media management group Mediabrands and a partner of Magna, IPG's centralized media negotiation entity. Initiative employs more than 2500 talented professionals, working in 91 offices across 70 markets, worldwide.

Initiative's comprehensive range of performance-led communications services include: research and insight, media planning and buying, digital communications solutions, content creation, and evaluation and accountability services.

For more information about in-game advertising or to find out how Initiative's digital solutions can help your business, contact:

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