Vision Report 2010

In-Game Advertising

Ilya Vedrashko

with Dr. Henry Jenkins

and Alec Austin, David Edery, Geoffrey Long and Parmesh Shahani
Executive Summary

Advertisers today find themselves standing at a door about to swing open to reveal sprawling cities, endless highways, virgin forests and other undeveloped property so devoid of anything branded that it is almost hard on the eyes.

Pitching brand messages in the distant lands of dragons, car thieves, talking worms and non-humanoid civilizations – the virtual worlds of computer games – has only recently become a subject of professional concern, but the market is quickly heating up. In the last two years, no fewer than eight companies have sprung up to provide services to advertisers eager to follow the eyeballs, hearts and wallets from television to games. Game publishers who are just now discovering advertising as a source of additional revenue have begun to experiment with new advertising formats which have evolved from virtual billboards into radio ads, designer clothing, branded power-ups and cheat codes that spell advertisers’ names.

This paper is part of a larger initiative to map the emerging (and in some instances already changing) new media landscape and focuses on several issues raised by Alec Austin in his white paper “Selling Creatively”, attempting to provide initial directions to pioneering in-game marketers. The major take-away: computer games are a new medium with a unique set of properties and user expectations that advertisers need to consider when planning in-game campaigns instead of simply porting their traditional advertising practices. Do it right and your ad will become a feature that enhances the gaming experience. Do it wrong and you risk angering the very vocal community of players who pay between $40-$60 for a game you have just ruined for them.

This study begins with an overview of industry projections regarding the size of the market for in-game ads. It discusses the medium’s attributes – active acquisition, interactivity, extensibility, gameplay, multisensory feedback, learning curve, immersion, exclusivity, social structures and automated agents – and their implications for the C3 partners. A separate chapter is devoted to an illustrated list of existing advertising formats with ideas for their improvement. The paper considers market and social factors that could shape the medium in the next five years and outlines some likely future developments.

Finally, C3 partners will find a list of practical suggestions for creating in-game advertising. These suggestions include:

• Setting objectives that are measurable and meaningful in the context of a particular game.
• Creating unique advertising content to fit the game in which the content appears.
• Avoiding forced interaction between players and ad units.
• Creating integrated “multimedia” campaigns within each world.
• Advertising fictional brands that act as proxies for the real product.
Vision Report 2010

In-Game Advertising

Ilya Vedrashko

with Dr. Henry Jenkins
and Alec Austin, David Edery, Geoffrey Long and Parmesh Shahani

Created for MIT Convergence Culture Consortium
in partnership with Turner Broadcasting, GSD&M and MTV

© 2006 MIT Convergence Culture Consortium
www.convergenceculture.org
Contents

Executive Summary ........................................................................................................3
Introduction ....................................................................................................................9
The Audience ................................................................................................................11
Nature of the Medium .....................................................................................................15
Formats ..........................................................................................................................19
The Future .......................................................................................................................22
Recommendations .........................................................................................................26
References and Further Reading ..................................................................................29
Insider Tips .....................................................................................................................31
Exhibits ..........................................................................................................................33

Flashback: Budweiser’s Ads in Tapper ........................................................................34
Size of the Ad Pie ..........................................................................................................35
Key Players .....................................................................................................................36
Audience .........................................................................................................................39
Games in the Media Mix ...............................................................................................47
Formats ..........................................................................................................................50
Highlight: Sony Ericsson ...............................................................................................53
PC/Console Advergaming .............................................................................................55
Highlight: Microsoft and the Xbox 360 .......................................................................56
Casual/Web Advergaming .............................................................................................57
Highlight: Virtual Magic Kingdom .................................................................................58
Mobile Advergaming

Highlight: Life After Clippy: Microsoft’s Game for Office 2003

Hardware Tie-Ins

Online Worlds

Highlight: Planetside

Highlight: Second Life

Alternative Reality Games

Highlight: ilovebees

Untapped Potential

Metrics

Gamers’ Reactions
Introduction

The practice of *in-game advertising* (placing branded products or ads in third-party games) and *advergaming* (creating games around particular brands with the purpose of advertising) has existed for over two decades. In-game advertising traces its roots back to Budweiser banners in the Midway’s 1983 game *Tapper*. A similarly dated example of advergaming is an obscure *Nippon Man* game for the NES console that involved a character with a bowl of Ramen noodles for a head.1*

Since then (with rare exceptions), game-based advertising has failed to keep pace with the evolution of the games medium, both in execution and content. Games have grown into multimillion dollar productions of cinematic quality, but are still peppered with fairly static banners that look and behave much like the Budweiser insignia twenty years ago. Until recently, product placement was limited to scattering branded items that often had little to do with the games’ context. Advergames may have taken advantage of the field’s technological advances, but the experience many of them offer is hardly superior to that of *Nippon Man*.

The main reason behind this lag is that marketers historically showed little interest in a medium widely regarded as a fringe activity for teenage boys with little purchasing power. This lack of interest was mutual and self-perpetuating. Although the game industry enjoys healthy working relationships with many other media – most prominently film, music and comic books – it has evolved as a self-sustaining model relying on unit sales to generate profits, and not bothered to attract advertisers’ attention.

Games offered few advertising opportunities besides banners placed in sports simulators, where the ads provided a necessary touch of realism and often were included at no charge for the brands. The long publishing cycle has remained incompatible with advertising schedules. Even today, much in-game advertising comes as more of an afterthought or a way to offset production and marketing costs than a carefully planned and steadily reliable revenue stream.

Today, as marketers grow increasingly unhappy with the value delivered by traditional media, they turn to alternative communication channels. Almost overnight, games were thrown into the spotlight of the industry’s attention. In-game advertising is still on the fringes of marketing budgets, as games’ share of the
overall advertising spending remained at a meager 0.1%), but the situation is rapidly changing. The in-game advertising and advergaming market is slated to grow to a $1B business by 2009 according to a widely cited report by Yankee Group, although this forecast tones down an earlier promise of $1B by 2005 made by Forrester. Over the past few years, at least eight major companies have sprung to claim a piece of this advertising pie with services ranging from dynamic insertion of standard ad units to customized product placement tailored to the advertiser’s needs. An uncounted and much greater number of providers develop advergames for marketing purposes across the entire spectrum of platforms and technologies, from budget-minded text-based adventures for mobile phones to the full-feature productions for the last-generation consoles.

**Related Exhibits**

‘Exhibits’ are mini-case studies and graphs found at the end of this document. The following are exhibits related to the preceding chapter.

- Flashback: Budweiser’s Ads in *Tapper* ................................................................. 34
- Size of the Ad Pie ......................................................................................... 35
- Key Players ................................................................................................. 36
The Audience

Much of the media hype revolves around the games’ ability to bring the “lost generation” (the young male demographic whose TV consumption has reportedly decreased over the past few years) back within advertisers’ grasp, and predicts growth of the gaming audience at the expense of other media consumption.

While the gaming audience indeed is likely to grow, this growth will happen across several different dimensions, for different reasons, and with different effects on other media.

The segment of hardcore gamers who spend over six hours a week playing will stay fairly stable if (an important if) the current industry dynamics – range of genres, accessibility, pricing and distribution – remain unchanged. The segment’s steady growth will be driven by natural demographic factors and marketing efforts of hardware manufacturers and game publishers. The gaming audience is gradually aging. Yesterday’s gaming teens – the bulk of gaming’s audience in the past – remain loyal to the medium as they grow up, although their amount of playtime decreases as their available leisure time shrinks.

A diversification of genres would push the segment’s age boundaries in both directions: downwards if the industry proves the educational value of games and moves away from what is now perceived as excessive violence and upwards if it relaxes the time commitment demanded by many games. Most of the current hardcore titles’ content is targeted at male gamers, leaving female players a large untapped market.

Because of the exclusive nature of hardcore gaming, any growth in audience size or playtime is bound to have a negative effect on consumption of other media. TV-based console gaming will effect other TV-reliant media that are consumed at home, such as network and cable television and recorded video. By the same logic, PC gaming would cut most into online media consumption, although the extent of its influence would be moderated by the concurrent use of a secondary device, such as laptop. The extent of its influence on TV consumption is also less clear and would depend on how involved the player is with the game, whether the TV is on and in the same room as the PC.
The adverse effects of wireless and mobile gaming as well as casual and web gaming (whose audience is larger and more diverse) on media consumption are more limited. Such games either temporarily push other media into the background without shutting them off altogether or take place where these channels are not present (school, work).

One of the major hurdles in the way of in-game advertising growth is the overhead associated with building a wide-reaching campaign. While the general gaming audience is fairly large – the Entertainment Software Association claims half of all Americans play some sort of electronic games\(^3\) - it is spread across many competing titles. In 2004, only 12 console and no PC titles managed to sell over 1 million copies, and 50 console and two PC games sold over 500,000 copies.\(^4\)

Any audience estimates based on these sales figures are likely to be conservative due to the pervasive piracy of games. Of 6000 console players surveyed in early 2005, 21% admitted to playing pirated games and 20% copied games from their friends. In the PC segment, where the audience is more technically savvy and copying, cracking and distributing games is easier, the numbers are significantly higher.\(^5\)

For advertisers, the high degree of audience segmentation means they need to cast their nets across several titles to achieve a significant reach. On the upside, many console games enjoy an additional (although unevaluated) “pass-along” audience as many titles are designed to accommodate as many as four players on a single console. Another source of “pass-along” and unreported audience is the secondary market; sales of pre-owned titles by Electronics Boutique amounted to 28% of their total sales volume.\(^6\)

An important factor that limits advertising reach is the existing array of predominant game genres, some of which are not immediately suitable for standard advertising. The good news is that four out of ten bestselling games of 2004 - *Madden NFL 2005* for PS2, *ESPN NFL 2k5* for Xbox and PS2, *NBA Live* for PS2, and *Need for Speed: Underground 2* for PS2 are sports simulators, a genre that historically has carried advertising and has come to be considered a natural fit for a wide range of ads.\(^7\) It should be noted that whatever indicators of reach can be extrapolated from the sales data are likely to be inflated since most of these games are for a single platform and target a single demographic; in other words, a PS2 player who plays sports simulators is likely to buy more than one, if not all of these titles (the titles were released at least one month apart from each other).

The top title of 2004, *Grand Theft Auto: San Andreas* for PS2 that sold 6.5M units that year in just two months after its late-October release\(^8\) (and more than 12M units to date\(^9\)), was studded with ads – billboards

\(^{12}\) MIT Convergence Culture Consortium
and radio commercials – for fictional products and its realistic urban setting could have proved to be the best possible environment for the real-world ads, but its disregard for political correctness and a violent slant are perhaps too controversial to be a safe bet for most advertisers (although Activision did line up sponsors for its similarly themed game True Crime).

Most commentators – academics, advertising professionals and regular players posting on online forums – consider a realistic environment to be the best setting for an ad. They argue that since we live in a branded universe, a game that depicts our world without advertising or with ads for fictional products would seem less “real”, so ads actually enhance the gaming experience. There have been attempts -- some cautious, some awkward – to place ads in fantasy settings: cans of Red Bull in the cartoony Worms 3D, a placement for Pizza Hut in the Tolkienesque EverQuest II, billboards for Sprite in the futuristic Anarchy Online. However, guided by the logic of realism, the bulk of advertising still goes to games set in modern urban worlds.

Luckily, the best-selling games fall into this category. Over 60% of console games and 40% of PC games sold in 2004 were marked as action, sports, shooters or family entertainment, the rest being less ad-friendly role-playing and strategy games.10

Even discounting the games that are set in the less lucrative fantasy, historical, or sci-fi environments and conservatively estimating the total number ad-friendly games at the 20% of the total number of units sold (248 million in 2004)11, we still arrive at a respectable 50 million units that can carry standard advertising.

However, as mentioned earlier, the market is fragmented and the audience is spread among many titles. According to some estimates, 1,200 and 1,800 PC games are released every year, with a comparable number developed for consoles.

Most of them – as many as 90% - will fail to break even.12 To put these numbers into perspective, a game with a conservatively estimated production and marketing budget of $1.4 million and priced $29 at retail needs to sell 75,000 units to break even.13 According to a recent report by Screen Digest, as few as 80 titles a year turn a profit.14

Thus, the advertisers’ ambivalence about including games in the media mix is understandable. Not only do they have to plan for the placement some 18 months in advance, they also have to navigate a large number of titles, and assume significant risk by dealing with a channel that may face negative reviews, fail to deliver an audience, and outright go out of business.

This, of course, is where networks such as Massive, IGA and Double Fusion come in. By taking up the job of serving ads into already released games over the internet in real time, the networks reduce the lead time, minimize overhead, and provide flexibility and scalability generally unavailable to advertisers whose content is hardcoded into the game before its release. Since the networks deal with the games already on the market, they also minimize advertisers’ risk associated with the games’ retail success and deliver a guaranteed reach.

Importantly, these networks are beginning to set up a system to measure the players’ exposure to the ads; Massive, for example, defines an in-game ad impression as one player exposed to the unit for a set period of time (usually 15 seconds) under a minimal angle. In the future, the networks should be able to target ad delivery based on player profiles and past behavior so that, for example, male players do not end up with tampon ads.
While networks show a great potential, their current value as facilitators is limited. The internet connection through which the ads are delivered can be turned off if it’s not vital to the gameplay, and if the ads annoy players, they will be switched off. Recently, two tech hackers demonstrated how easy it is to prevent Massive’s servers from feeding dynamic ads into their games. The networks’ standard ad units are still constricted to billboards and billboard-like textures (car decals, window displays, etc.), although recently Massive has begun offering video- and audio-enabled units as well. Any advertiser who requires a more unique format still has to rely on one-off deals, even if these deals can now be mediated by the networks. If the standard billboard units proliferate further, the players are likely to develop ad blindness familiar to banner advertisers on the web. Most importantly, the banner format fails to take the full advantage of the medium.

Related Exhibits

- Audience ........................................................................................................... 39
- Intensive Console/PC User Base ............................................................................... 40
- Growth Statistics ........................................................................................................ 41
- Wireless Gaming ........................................................................................................ 42
- Wireless Gaming Demographics ................................................................................ 43
- Mobile Game Console Installed Base and Penetration .................................................. 44
- Casual Game Audience Demographics ...................................................................... 45
- Best-Selling Genres ..................................................................................................... 46
- Games in the Media Mix ............................................................................................... 47
Nature of the Medium

Just as print differs from radio, radio from television, and television from cinema, computer games possess an inherent bundle of characteristics that sets them apart from other media. While many of these attributes are present in other media, their unique combination defines games as a medium in its own right and presents an entirely new range of opportunities advertisers should consider in order to leverage the games’ full potential.

Active Acquisition

The fact that players seek out and acquire games in an active fashion (as opposed to being more passively exposed to television content) and that games retail for much more than many other mass-produced media puts a heavier burden of responsibility on the advertisers’ shoulders. While advertising on “free” television is grudgingly accepted - and TiVoed out - as a necessary evil, the tolerance for cinema commercials is significantly lower, and any similarly intrusive form of advertising in games will aggravate players who today shell out $40 for an average title. While some advertisers have already voiced their temptation to insert cinematic ads between games’ loading screens, unless these games are distributed for free or at heavily discounted prices, and accepted by gamers as ad-supported, the repercussions for the brand and the game could be devastating.

Interactivity

In games, consumers interact directly with the content and have an impact on the end result of the media experience. Mechanisms for content-related decision making are programmed into the medium. Other media, such as TV reality shows that allow voting through cell-phone text messaging (American Idol in the US, Big Brother franchises in Europe), have begun including interactive elements as well, and some advertisers have attempted to create interactive units in traditionally static media.
Extensibility

Extensibility refers to players’ ability to add new content to the original game by using built-in or third-party editing tools. Player-generated content can range from customized avatars or unique items to new environments. While players often add items that carry real-world brands (Coke trucks in Grand Theft Auto, Ikea furniture in The Sims), very few advertisers have made a conscious effort to provide tools or incentives to inspire player creativity.

Gameplay

A great number of today’s in-game ads disregard this unique attribute, failing to take the full advantage of the potential it offers. Unlike other media, gaming is intrinsically goal-oriented and often competitive; a single game usually contains multiple levels of content difficulty. Whenever other media – activity books, game shows - acquire these attributes they in effect become game-like, and very few other media provide content dynamically adjusted for different skill levels. Games give advertisers an intriguing opportunity to make ads more engaging by imbuing them with the medium’s attributes.

Multisensory Playback

Taste and smell are perhaps the only senses that have not yet been used by games. Games give the advertiser a rare opportunity to communicate with the player through a wide range of channels: music, ambient sound, surround effects, direct and “recorded” speech, animated and static images, color, light, distance and perspective, three dimensions, text, and in some instances haptic feedback. New technologies such as the Sony EyeToy and Nintendo Revolution controller offer advertisers the opportunity to engage users during vigorous movement-centric gameplay. One can imagine a golf club manufacturer paying EA to make the player’s “swing” more powerful when the player upgrades to the manufacturer’s clubs – an experience made all the more rewarding by the physical act of actually swinging the controller in real life.

Learning Curve

Some types of media or forms of content require users to learn their way around the property. Someone unfamiliar with the structure of the Yellow Pages will take longer to find a listing. It takes time to understand the stocks page in Wall Street Journal. Most games differ from each other not only in content but also in their explicit and implicit rules, interface design, and even the input-output dynamics of their peripherals. (The differences can be as obvious as those between a mouse, a joystick and a gamepad, or as subtle as unique responses to mouse movements.) It is important that the mechanics of an in-game ad don’t differ greatly from those of the host game.

Immersion

Immersion is a concept that describes players’ attitude toward the game environment. It refers to the player’s willingness to treat the game elements as actual events, the player’s emplacement within the virtual environment, and ability to “become” a character. Immersion is closely related to suspension of disbelief, or the willingness of players to suspend their critical faculties to the extent of ignoring inconsistencies. While immersion is not unique to the medium, it is a critical element in escapist games and is protected to the point where managers of some online worlds impose strict naming requirements and prohibit any “out of character” conversations between players. Whenever a media report underscores the importance of in-game advertising being realistic, it means that all advertising should be “in character” and in line with the
world’s overall aesthetics. It is the “out of character” ads, such as Sprite billboards in the far-future world of Anarchy Online, that cause the most player discontent.

Immersion is a double-edged sword for the advertiser. On the one hand, it imposes rigid boundaries on the type and amount of branded content that can be injected into a game, and these constraints can be hard to explain or accommodate within the general brand strategy. On the other hand, immersive environments can take player-brand interaction to an entirely new level unparalleled by other media. Since many game environments are set in worlds that stretch or defy real life’s laws, brands, too, can acquire supernatural powers that would look silly or fake in TV commercials.

**Exclusivity**

We have already mentioned that PC and console gaming generally excludes other types of media consumption. While users often watch television and browse the web at the same time, gaming usually consumes all their attention, which makes implementation of any kind of direct-response advertising that requires user interaction with other media particularly challenging. When Pizza Hut launched its now famous promotion in Sony’s online game EverQuest II, typing “/pizza” called up an external browser window that disrupted the gameplay. The surprisingly mild criticism that followed would have been much more vocal had the approach been more intrusive and less novel and exotic. Games that already have some sort of mechanism of economic transactions (street vendors, vending machines, stores) are much better suited for messages that call for immediate player action than those on which this kind of behavior would be artificially imposed.

**Socioeconomic Structures**

The roots of massively multiplayer online games (MMOGs) can be found in the text-based adventure games of the 1970s. Since then, not only have they grown into sprawling 3D environments with player bases in the hundreds of thousands, but they have also developed social structures complex and rich enough to be called politico-economic systems. These systems have developed a strong relationship with the real world, initially as semi-illegal underground trading activities and increasingly through legitimate businesses employing tens of thousands. As a side effect of the economic production and exchange, what began as sporadic announcements on electronic messageboards have evolved into grassroots advertising practices many of which have analogs in the real world.
A sign of the things to come is the case a Second Life player who has built a network of in-game billboards that he then rents out to other players to advertise their wares. While the early large-scale attempts to inject real-life brands into the game economies have been unsuccessful (Project Entropia was created with the vision of inviting brands to open virtual storefronts but has since changed ownership and direction), niche opportunities exist in abundance. A Cyty Bank of Norrath could provide financial services to EverQuest’s enterprising elves and SouthWest Dragonlines could be the official carrier of World of Warcraft.

Automated Agents

Automated agents, or robots, come with various degrees of artificial intelligence and in shapes ranging from pixelated ghouls (Pac-Man) to larger-than-life colossi (Shadow of Colossus, 2005) and have been a staple of games since the medium’s birth, known as mobs (mobile objects) or NPCs (non-player characters). Many exist for the sole purpose of inflicting damage on players, while others have rather peaceful occupations as live entertainers or loyal and ferocious sidekicks. They can also assume the role of town criers chatting up knights in shining armor about recent advances in footwear technology, or that of itinerant automated merchants peddling energizing potions to orcs. Their natural mobility and proficiency in spoken languages make robots perfect candidates for the jobs that require a human (or elfish) touch.

An agency head, who asked not to be named, was unenthusiastic about passive ad placements and pointed the finger at her media counterparts in the agency world.

“Because media planners control the budget,” she said, “deep product integrations are ignored in favor of large scale, but less effective, units. This results in lower effectiveness and, in turn, a smaller investment in the medium over time.

“It’s a vicious cycle,” she said.

Formats

In general, all existing game-based advertising formats can be arranged into following categories:

**Advergames** are games commissioned by marketers and built around a specific brand. Full-length advergames for PCs and consoles are still rare due to high development costs and distribution complexities. Web-based advergames and advergames for mobile and wireless consoles are much more popular, are designed mostly for casual gamers and vary widely in genres, underlying technology, access points and complexity. They range from virals with a shelf life of a few weeks to sprawling virtual environments about which there’s nothing casual, including seven-figure budgets and massive gamer involvement. Disadvantages of building an exclusive advergame as opposed to an ad or product placement in third-party properties are the marketing costs necessary to draw audience to the game, production and distribution costs, and the large number of titles crowding the field and competing for attention. Cell phone-based advergames face additional challenges, such as constricting hardware specifications and a multitude of incompatible platforms.

Promotional **alternate reality games** (ARGs) are a subset of advergames that blur the line between the in-game and out-of-game experiences and that deliver content through a mix of channels including instant messages, emails, faxes, newspaper ads, phone calls and web sites. While a few popular ARGs – *The Beast* promoting Stephen Spielberg’s movie *A.I.*, *ilovebees* building up interest around the release of Microsoft’s game *Halo 2* – have attracted multimillion audiences with a high level of involvement and generated massive amounts of media attention, the development and maintenance costs for ARGs are high, the life cycle is short and their success is rarely guaranteed. An upcoming white paper by C3 researcher Ivan Askwith will examine the potential of ARGs in greater detail.

EA’s pandering to its advertisers isn’t just a fault in itself. It also lends credibility to the commonly repeated accusation that the game’s unrealistic crash physics were required by EA’s license with auto manufacturers, diluting the quality of gameplay. Furthermore, even though it was filled with ads and placements, *Need For Speed Underground 2* sold for full retail price ($50), making it clear that EA was not passing even a fraction of the money it had made through product placement on to the consumer as savings. Given these faults, it’s no surprise that *Need for Speed Underground 2* won GameSpot’s “Most Despicable Product Placement” award for 2004, further tarnishing EA’s already sullied image in the gaming community.
Modding and level design refer to building an advergame on an already available and usually popular third-party title to cut production costs and tap into the loyal player base while allowing for flexibility in design. Levels are new environments accessible through the original game, while mods are entirely new games based on the original software but without significant ties to the original content. One of the few companies to have tried modding for advertising purposes was Sony Pictures, which released the free *Half-Life* mod *Underworld: Bloodline* to promote its 2003 action-horror film *Underworld*.

Machinima refers to the practice of making short non-interactive videos based on game content and using game engines. Machinima’s use for advertising purposes so far has been limited, game trailers being an exception. Game art has appeared in a joint TV campaign for Coke and *World of Warcraft* in China. In 2004, Volvo held a contest at NYU for short screenplays. The winning eight-minute entry mixed film and machinima to tell a story centered around a hapless architect who ends up inside a Grand Theft Auto-style video game that has “upper levels” which are behind-the-scenes to the average player. The entry prominently featured a red Volvo car.

Hardcoded placement of ad units and branded items is the oldest existing format going back to the Budweiser’s ad in *Tapper* and billboards on the sidelines of 8-bit race tracks. “Hardcoded” refers to the software code being inserted into the game at the development stages. The format allows for maximum integration of the unit into the game context and the flexibility of the unit’s appearance. The downsides of hardcoding are long lead-times, uncertainty surrounding the game’s commercial prospects, lack of control once the game is released, and no readily available metrics.

Sponsored consumer-generated content is a subset of brand placement where marketers provide tools for players to create game characters, items or narratives tied to the brand. This form of advertising has not been yet widely exploited, although instances of content generated by players around particular brands without these brands’ involvement abound, from the Coke trucks in *Grand Theft Auto* to Ikea furniture in *The Sims*.

One of the most interesting new formats of in-game advertising is inclusion of brand-related commands or cheat codes that, when typed in, unlock branded content or enable direct interaction between players and advertisers. Electronic Arts’ blockbuster game *NASCAR 2005* enabled such sponsored cheat codes as “oldspice venue”, “race dodge”, “walmart nascar”, “dodge stadium” that unlocked, respectively, Old Spice tracks, Dodge cars, a million dollars of play money and vanity plates. The special appeal of cheat codes is that instead of being blatantly advertised, they are seeded through the gaming community. In some occasions, they can also be the only appropriate way to advertise in a particular title.

Role-playing fantasy games set in Tolkien-esque worlds of elves, dwarfs and orcs have traditionally been off limits to advertisers, save for the famous effort by Pizza Hut to allow Sony’s *EverQuest II* players to order pizzas from within the game by typing in “/pizza”. The approach was met with a great deal of interest in the advertising community, while the gamers’ feelings were somewhat mixed (although not outright hostile). Some lauded the unobtrusiveness of the approach.

Others disputed Pizza Hut’s claim that their ad didn’t break the flow of the game and argued that even if the /pizza command worked inside the virtual world, it would then open a web browser external to the game. This mechanism, these gamers argued, offered little added value to players who already could “alt+tab” their way to Pizza Hut’s website on their own or simply pick up the phone without any interruption to the game. Although no details on its deal with Pizza Hut were disclosed, Sony Online Entertainment claimed the /pizza test (now expired) had been a success and said it considered adding other similar services.16
Incidentally, Blizzard – the maker of the competing *World of Warcraft* MMOG – showed a better way to integrate real-life product ordering into fantasy worlds through typed commands in its “/panda” April Fools prank. On April 1, 2005, less than two weeks after the launch of Sony’s “/pizza” test, Blizzard announced its Pandaren Xpress food service. By typing “/panda” in the game, *World of Warcraft* players would be able to call up an in-game Chinese food menu designed to match other interface elements. The service guaranteed fast home delivery by a person dressed as a Pandaren (a species of creatures in the game) and players would then receive an in-game fortune cookie with its text tied to the game’s context; the fortune cookie would also give a temporary boost to the player’s character abilities.

**Related Exhibits**

<table>
<thead>
<tr>
<th>Formats Overview</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highlight:</strong> Sony Ericsson</td>
<td>53</td>
</tr>
<tr>
<td><strong>Highlight:</strong> EA SPORTS</td>
<td>54</td>
</tr>
<tr>
<td>PC/Console Advergaming</td>
<td>55</td>
</tr>
<tr>
<td><strong>Highlight:</strong> Microsoft and the Xbox 360</td>
<td>56</td>
</tr>
<tr>
<td>Casual/Web Advergaming</td>
<td>57</td>
</tr>
<tr>
<td><strong>Highlight:</strong> <em>Virtual Magic Kingdom</em></td>
<td>58</td>
</tr>
<tr>
<td>Mobile Advergaming</td>
<td>59</td>
</tr>
<tr>
<td>Hardware Tie-Ins</td>
<td>61</td>
</tr>
<tr>
<td>Online Worlds</td>
<td>62</td>
</tr>
<tr>
<td><strong>Highlight:</strong> Planetside</td>
<td>63</td>
</tr>
<tr>
<td><strong>Highlight:</strong> Second Life</td>
<td>64</td>
</tr>
<tr>
<td>Alternative Reality Games</td>
<td>65</td>
</tr>
<tr>
<td><strong>Highlight:</strong> ilovebees</td>
<td>66</td>
</tr>
<tr>
<td>Untapped Potential</td>
<td>67</td>
</tr>
<tr>
<td>Metrics</td>
<td>70</td>
</tr>
<tr>
<td>Gamers’ Responses</td>
<td>72</td>
</tr>
</tbody>
</table>
The Future

In many ways, the evolution of in-game advertising parallels the history of advertising on the web, officially kicked off in 1994 by a handful of static banners on HotWired. The advertising units became media-rich, including at first crude but continuously evolving animation, then sound, then video clips, and ultimately, multiple layers of interactivity. The ad placement mechanism has also evolved from fairly simple banner rotation networks into systems that allow multi-variable context and behavior targeting. If web advertising is any indicator, then we can expect the following developments in in-game advertising.

An increasing amount of advertising will be channeled through the networks such as Massive, IGA or Double Fusion. Importantly, networks will provide access to niche and casual titles, allowing advertisers to reach larger audiences without encountering the prohibitive cost of planning for each title individually. However, these new ad networks are unlikely to harness the power of in-game advertising to its true potential, as their success will depend primarily on economies of scale that are driven by standardization of advertising placement. In other words, the networks will attempt to aggregate as many advertisers as possible, then blast advertising into “obvious” in-game channels, such as virtual billboards, magazine inserts, etc. This format is inherently less engaging than placements that have been carefully integrated into a video game’s design. Those placements, brought about via close relationships between game developers/publishers and major advertisers, will prove the most powerful advertisements of all. A player develops greater brand loyalty using an Ericsson mobile phone for all their in-game communication needs, rather than seeing an ad for an Ericsson phone on a virtual billboard.

Games, like any other medium before them, will eventually become saturated with advertising. Early movers will enjoy vast amounts of uncluttered space at low prices, but without any past experience to rely on, they will have to operate in an environment of uncertainty.

Scripted bulk advertising – spam - will emerge in MMOs, exacerbating the clutter problem. It will probably take form of bulk messages sent through in-game IMs, mass-produced items, and scripted ad agents.
Backlash against advertising will grow. Players will learn how to block or cripple undesired ads. Third-party ad-blocking software will become available. Hacker-produced software may ultimately go so far as to substitute humorous, ironic, and/or pornographic content in place of dynamically-served advertising, which may have negative consequences for game developers and advertisers. This is yet another reason for developers and advertisers to focus on carefully integrated in-game placements, since those cannot be stripped from the game. (In fact, if done tastefully, they would not inspire the kinds of negative emotions that would lead hackers to even try.)

The future of in-game advertising, of course, is tied to the future of the medium. While computer games were commercially available as long ago as the 1970s, it is fair to start the count from the early 1990s when, with the launch of Doom, they were transformed overnight into the immersive multisensory-rich medium we know today. By the turn of the century, the third generation of games was well underway and linked millions of home computers into persistent vast virtual worlds. Given this timeline and the fact that marketers have only recently started considering games to be a viable advertising platform, it is reasonable to call games a new medium that hasn't reached its full potential and is likely to evolve in the future. It would be a mistake, however, to try to map out this ongoing evolution in isolation from the developments happening in the larger media landscape. A quick overview of the directions in which games are likely to develop during the next five years follows.

Gaming devices will find new homes. Nissan created a concept car that comes equipped with an Xbox console. Games are already available on many airlines' onboard entertainment systems. Many devices initially not intended for gaming will support games either through official upgrades or through third-party add-ons. Potentially, any gadget with a screen, an input mechanism, editable memory and a CPU could be turned into a game console. Doom has already been ported to PDAs, iPods, graphic calculators, and digital cameras. Satellite radio receivers could become a gaming device hooked up to a wide persistent distribution network.

Games, therefore, will become available through a greater number of platforms. The living room television screen will be the dominant gaming gateway as it becomes capable of interconnecting with a wider variety of content delivery platforms in addition to the traditional consoles.

Hand-held gaming devices already come equipped with a video-to-TV capabilities; if cell phone gaming rises in significance, we can expect cell phones to claim their share of TV real estate as well. TiVo has already began offering games on its newer set-top boxes and Comcast has been testing games on demand through its own network. If home networks become cheaper, simpler to install and gain popularity, then some PC games could also migrate from monitors to larger TV screens.

This development is important for at least two reasons. The first is that by moving onto a larger screen, more games will become a social lounge activity, expanding their audience and boosting the effect of advertising placed within such games.

The other reason has to do with gaming being a mutually-exclusive activity. Unless the typical living room evolves away from the current “single-dominant-single-channel-TV-set” layout, any rise of TV-based playtime is bound to cut into TV viewership. The growth of the gaming demographic as the current player base ages (and new players are attracted by casual content) will compound the effect.

Television producers will not remain passive observers. Game players already encounter in-game ads for television content. In the future, it is likely that at least some of the video content in games will be streamed
directly/dynamically into contextually appropriate settings – on in-game TV sets, for example, or into community screening rooms. This makes particular sense in “real world” games like *The Sims* and MMOs like *The Sims Online*, *Second Life*, etc. Television will seek to attract the gaming audience back to its version of the tube through content created around popular game titles and characters. Finally, television content will become more game-like; the emergence of interactive content will be fueled by technology advances.

Driven by the spread of broadband connectivity, networked gaming will rise in prominence. New models for software distribution will emerge, although their growth depends on power shifts between publishers and retailers. If it happens, online content distribution will extend the shelf life of many games. Serialized, or episodic, publishing is likely to be one of the new formats; a current although less pronounced example of serialized publishing is the periodic expansion of persistent virtual worlds designed to keep the audience paying monthly fees. Also driven by broadband penetration, more games will include more complex online components. One model already emerging is online appointment gaming, where players compete against each other in a game available only within a narrow time window. These competitions will also attract significant non-playing audiences, turning gaming into a spectator sport.

Publishers will also attempt to lengthen their games’ shelf life while offsetting late-stage costs with advertising revenue. Funcom’s massively multiplayer *Anarchy Online*, launched in 2001, was the first to offer a limited free ad-supported subscription in 2005.\(^\text{19}\) As more MMOs near their expiration date, this model will begin to proliferate. This business model has already become prevalent in the Chinese MMO market. Several well-known titles recently dropped subscription fees, and are now supported by advertising and the in-game purchase of virtual items.

Many online games will become cross-platform-compatible and the same game content will be at least in part accessible via consoles, PCs, wireless and handheld devices, expanding its player base and playtime and making itself more attractive to advertisers. Released in 2002, *Final Fantasy XI* was the first MMOG whose console and PC versions connected to the same servers.\(^\text{20}\)

The Korean game *Ragnarok Online* extended beyond the PC-based world to cell phones in North America, and earlier this year the Russian PC MMOG *Sphere* was made available on PDAs, smartphones and PocketPCs.\(^\text{21}\) Many small developers will adopt a single software platform, such as Metaverse, that will allow them to avoid the prohibitive costs of engine development. Such engines will come with built-in advertising features that will standardize ad units across such games.

Automated agents will become more life-like with their behavior guided by improved artificial intelligence models and their speech synthesis based on the immediate context. These agents will prove to be an effective interactive channel for on-demand advertising information similar to the emerging ad bots on instant

“*The only real unanswered question is what future there can be for marketing in an unusually personal space, patently *not* designed with marketing in mind.*”

Gamasutra
http://www.gamasutra.com/features/20050801/wangh_01.shtml
messengers. Publishers will continue to experiment with new peripheral devices to provide new experiences and advertising opportunities. Auto marketers already have an opportunity to brand force-feedback steering wheels that control many racing games, better replicating the actual driving experience. The list of specialty peripherals already on the market includes Sony’s EyeToy video camera, Konami’s Dance Dance Revolution dance mat, Guitar Hero’s guitar, microphones, and 3D goggles.

Finally, computer games will look, sound, feel and even smell increasingly better. The arms race for more life-like graphics will heat up with the launch of the new generation of consoles. Combined with gaming equipment, large-screen high definition TVs will help making games more immersive. Sharp is already shipping laptops that display stereoscopic imagery without 3D glasses, and nVidia is marketing graphic cards that will give regular PCs the same capability. Philips is experimenting with its amBX technology that enriches gaming experience with changes in ambient sound, color, heat and airflow in the room. Smell synthesizers are on their way.
Recommendations

• The Big Idea still comes first. Too many new media campaigns are created simply because the medium in question is new and hip and not because it communicates the message better than the existing vehicles.

• Set clear, realistic, relevant and measurable objectives. This recommendation, of course, is not unique to gaming but is pertinent because of the current lack of consistent metrics. It is easy to measure ad exposure in some games, but exposure may not tell you very much. Comparing pre-game and post-game brand awareness is relevant but harder to measure.

• Learn the language of gamers and developers so that you don’t disregard a game just because it features mobs (short for “mobile objects”) or assume that a game is a good fit for sports equipment ads because its characters go through an experience treadmill.

• Games are a medium of entertainment that requires entertaining ads. This does not necessarily mean “humorous” or “attention-grabbing” – it simply means “ads that make sense in the context of a game, and that affect the user’s experience in a way he/she appreciates.”

• Avoid reusing content from other campaigns if it does not fit the particular game context you are targeting. Advertisers generally repurpose content to create a consistent brand image across media. However, the benefits of tailored advertising in games probably outweigh the benefits of repurposed advertising that doesn’t “fit.” Obviously, the brand message should remain consistent (Volvo is still “safe”, Hummer is still “tough”, Porsche is still “fast”), but the advertising itself might shift.

• Let players discover unexpected things they can do with your ad unit. Hide a secret cache of weapons that can only be accessed by smashing through your billboard.

• Don’t make players interact with your ad, instead give them a reason to want to. Don’t make interaction with your billboard a necessary winning condition as this will likely inspire ridicule rather than brand loyalty. An example of good brand integration: secret passwords in Electronic Arts’ NASCAR 2005: Chase For the Cup that unlocked additional branded vehicles and tracks. An example of bad brand
integration: Electronic Arts peppering its *Need For Speed: Underground 2* with billboards and making sure players know where they are through in-game text prompts complete with TM marks – as in “the hidden parts shop is marked by a red light near the Burger King (TM)”.

- There is no reason for Ikea’s website not to offer the company’s virtual furniture to players of *The Sims* when such items are already being traded elsewhere by the game’s (and the brand’s) fans. Even better, provide the right tools and incentives and leverage the power of user-generated content. For more information on this approach, see C3 researcher Sam Ford’s white paper “Fanning the Audience’s Flames: Ten Ways to Embrace and Cultivate Fan Communities” (2006).

- Consider proxy branding. The world of *Grand Theft Auto: San Andreas* is full of ads for a fictional soft drink called Sprunk. Sprunk is everywhere: on the radio, on billboards, in vending machines and in-game stores. Sprunk is widely recognized as a parody on Sprite, but judging by forum activity, neither Sprunk nor Sprite have offended *GTA* players. On the other hand, if the actual Sprite brand had been used instead of Sprunk, it may very well have annoyed *GTA*’s player base, which enjoys *GTA* in part for its irreverence. In the absence of the stigma surrounding the *GTA* franchise (following the “Hot Coffee” debacle), Coca-Cola could have potentially benefited from producing a limited amount of real Sprunk soda. Proxy branding also provides an elegant solution for placing ads into such “ad-averse” genres as fantasy. A proxy alternative to slapping a Coke brand on a bottle of life potion (a tempting move thanks to the potion’s traditionally red color) could be a substance named something like Kokael Koldur and grounded in its own mythology.

- Plan for integrated campaigns. Take a page from the Sprunk playbook and where possible, create a “holistic” brand experience. If your in-game billboard promotes a product, make the product itself available in the game. If acquiring the product comes at some cost to the player (for example, time or play money), by tracking product acquisitions you can also gauge the effectiveness of the billboards. Leverage the power of the gaming community. Complement in-game buys with ads on review and fan sites. Synchronize offline and in-game events, following the example of Puma, which tied the introduction of special-edition shoes with an in-game placement.

- Conform to reality. What is more fitting a world set 30,000 years in the future (*Anarchy Online*): static billboards hanging on the walls or free-floating holograms?

- Within a single game, opt for depth of experience instead of breadth of coverage. Plastering billboards throughout the entire world is not nearly as effective as a single well-executed Easter egg. Players remember cleverness.

- Interactive demonstration is worth a thousand pictures. The interactive nature of games allows advertisers not only to expose players to the brand, but also involve them into a simulated trial of the product at little cost. Automotive companies were the first to recognize this land of demonstration opportunity and came out with intricate driving simulators imitating the experience of operating the real cars. A billboard for an upcoming Mötley Crüe concert – a recent promotion in *Anarchy Online* – would’ve been received much better had the organizers instead created Mötley Crüe avatars performing on the streets.

- Stay in-character. If you absolutely must place a today’s product or an ad in a fantasy environment, place it in an appropriate context. In the sci-fi world of *Anarchy Online*, the context could be a “time warping portal” that funnels random things through the time continuum. The same Mötley Crüe billboard could have been implemented as, for example, a monument commemorating the concert that had happened some 30,000 years ago.
• In MMOGs, plan for a strong word-of-mouth effects. Bury a giant stash of branded gold, and the news will spread like a wildfire through in-game communication systems. Annoy one player, and the entire game-playing population will hear of it soon enough. Players will go to great lengths to express their discontent; you can expect sit-ins, demonstrations, riots, defacing, obstructing and other forms of undesired interaction with your ad unit if you displease game players sufficiently. Whatever your response to the player reaction may be, stay in character. If necessary, install a giant fire-breathing dragon to guard your property; this will at least distract the players, and they might even develop a fondness for the ad that birthed the dragon.

Mark Long of Seattle-based Zombie Studios lamented that he wished there were a way to show brand owners how much fun it is to “fuck with” their brand - to blow up their cars or use their products in non-constructive ways; instead, brand owners look on in horror. They have no sense of humor about the situation, and no understanding of what it means to play a videogame.

Gamasutra, reporting on the first Advertising in Games West conference

http://www.gamasutra.com/features/20050801/waugh_01.shtml
References and Further Reading

Ralph H. Baer, Mark J. P. Wolf, *The Medium of the Video Game.*

Richard Bartle, *Designing Virtual Worlds.*


Edward Castronova, *Synthetic Worlds: The Business and Culture of Online Games.*

Chris Crawford, *Chris Crawford on Game Design.*

Steven L. Kent, *The Ultimate History of Video Games: From Pong to Pokemon--The Story Behind the Craze That Touched Our Lives and Changed the World.*

Brad King, John Borland, *Dungeons and Dreamers: The Rise of Computer Game Culture from Geek to Chic.*

Raph Koster, *Theory of Fun for Game Design.*


Noah Wardrip-Fruin, Pat Harrigan, *First Person: New Media as Story, Performance, and Game.*

Mark J. P. Wolf, Bernard Perron, *The Video Game Theory Reader.*
Online References

15. http://www.laivforum.dk
Insider Tips

Choose the right type of game.
Consumers view which games they play as a lifestyle choice. It’s a matter, then, of knowing who you want to reach and then selecting the best game for the demographic.

Plan more than half a year in advance.
If you’re launching a product, you need to begin working with the gaming company at least six months before your product goes on the shelf. That means you need to approach gaming companies even earlier than that to give yourself plenty of time to make a choice. You’ll also need to make sure your product launch coincides with that of the game you choose. Many games launch in the fall just before holiday season.

The life of your promotion should last as long as the game’s.
Games often have a lifecycle of 13 to 15 months, so it doesn’t make sense to push a special that lasts only for a week or two. Instead, push what a brand means: for example, a wireless company wouldn’t want to advertise a specific calling plan but rather why a wireless phone is key to someone’s life.

Look for a company that integrates your brand in a compelling way.
You don’t want “in your face” branding. Rather, the player should be given a choice and should choose your product because it is realistic. Ideally, your product should actually drive gameplay.


Julie Shumaker has served as EA’s director of sales for online and in-game advertising since November 2001.
Source: Marketing Sherpa
Exhibits
Released in 1983, *Tapper* placed the player in a bar setting, where as a beleaguered bartender, you have to serve drinks to an endless onslaught of bar patrons, never allowing them to reach the end of the bar.

It was easily the most controversial game of its time. Originally conceived as a game which would be sold only to bars, it was also one of the first video game product placements for something other than a movie (i.e. Atari’s *Star Wars* and Bally/Midway’s own wildly successful *Tron*).

Midway’s marketing department approached Budweiser about the possibility of sponsoring the game, in exchange for which the Bud logo would be ubiquitous on the game’s artwork and in its on-screen graphics.

Just one little problem - bars were not the only establishments to buy *Tapper* machines. Soon, this Budweiser-sponsored, alcohol-oriented game was popping up in arcades across the country, where kids could pop in a quarter and drink it all in (metaphorically speaking).

Parents and pressure groups were not amused. Thus was born the watered-down (no pun intended!) version of the game for mass consumption, *Root Beer Tapper* (minus the Bud logos and beer references, but otherwise unchanged - the game was still set in a bar.)

http://thebrokenjoystick.com/pictures/tapper
http://www.thelogbook.com/phosphor/winter99/t.html
Size of the Ad Pie

Where information on estimates of the in-game advertising market size is publicly released, it is sporadic, incomplete and is served in a sound-bite format:

“Forrester Research predicts advergaming will generate $1 billion by 2005.”
Entrepreneur.com in 2002

http://www.entrepreneur.com/article/0,4621,304528-4,00.html

“Video games will generate nearly $260 million in advertising revenue by 2008; $92 million will come from in-game advertisements and $168 million from advergaming.”
October 2004, Michael Goodman, Media & Entertainment Strategies senior analyst at Yankee Group, in his “Marketers Look to Video Games to Drive Their Messages Home“ report

http://www.findarticles.com/p/articles/mi_m0EIN/is_2004_Oct_18/ai_n6239376

“The Yankee Group forecasted advertising in games is expected to rise to $800 million in 2009 from nearly $120 million in 2004.

$266M, or more than one-third of advertising in games in 2009, will come from “advergaming,” when advertisers create a game around a product rather than place their brands within a well-known title, according to Yankee Group senior analyst Mike Goodman.

Mitch Davis, chief executive of video game ad network Massive Inc., told the audience video game advertising would top $1 billion in the United States by 2010, and approach $2.5 billion worldwide.”
April 2005, Advertising in Games Forum

http://www.advertisingingames.com/east/index.html
Key Players

Massive has exclusive global relationships with leading game publishers and developers and ensures seamless integration of the Massive ad serving technology into all games across all platforms.

massiveincorporated.com

IGA Partners provides in-game advertising in a broad range of different scenarios. We place static and dynamic ads in places where brands have never been before.

ingameadvertising.com

DoubleFusion enables advertisers to serve and manage on-line, rich-media in-game-ad campaigns.

doublefusion.com

Using Adscape Media’s patented solution AdverPlay, advertisers target gamers with measurable and customizable advertising campaign.

adscapemedia.com

DemonWare provides an in-game advertising solution called Dynamic Network Advertising (DNA) which enables developers and publishers to implement context-aware in-game advertising and target specific audiences through player profile data.

demonware.net
Viacom is rumored to be investigating the possibility of making money through advertising and product placement in videogames.

http://www.gamesindustry.biz/content_page.php?section_name=pub&aid=3648

Shockwave.com launched an online casual games platform that will soon offer advertisers more than 50 million ad impressions per month.


Xfire places advertising within its proprietary in-game instant messenger, among other properties.

xfire.com

IGN Entertainment, the leading gaming information network and the leading provider of in-game technology solutions, is extending its technology platform to serve dynamic content and advertising in video games.


JuniorSenior is a European ad agency that specializes in advertising opportunities in games and games marketing.

jr-sr.com
“National broadcast television will be the only medium to lose ad revenues next year, with broadcast network television (excluding Hispanic TV) in jeopardy of declining two percent and national broadcast syndication declining one percent.

“The fastest growing media segment[s], not surprisingly, will be videogame advertising (40%)...”

Jack Myers Media Business Report
2006 Marketing and Advertising Spending Forecast

http://www.mediavillage.com/jmbeard/2005/09/08/buzz-09-08-05/
**Audience**

**Player Demographics**

Video Games Reach a Broad Spectrum of Consumers

- **Console Player:** 75% are male. 46% are under 18, 35% are 18-35, 11% are 36-45, and 8% are over 46.

- **Computer Player:** 61% are male. 36% are under 18, 26% are 18-35, 14% are 36-45, and 25% are over 46.

- The average game player is 30 years old and has been playing games for 9.5 years.

- In 2004, 19 percent of Americans over the age of 50 played video games, an increase from nine percent in 1999.

- **Online Games:** 43% of players say they play games online 1 or more hours per week. 43% of online game players are women.

---

Source: Entertainment Software Association's 2005 Essential Facts About the Computer and Video Game Industry, 5/05, conducted by Ipsos-Insight.


Source: JupiterResearch Games Model, 3/05 (US only)
In looking at the primary video game markets in the home, it is worth focusing on frequent console and Action PC audiences for comparability. Since a high proportion of US consumers have access to both platforms, more meaningful insight can be gained by examining usage-intense video gamers. These platforms represent the two most important game industry segments: Each draws dedicated users and offers rich platforms. Both Action PC and console user bases are primed for healthy growth through 2009, as follows:

**Intensive Console and Action PC User Base, 2003 to 2009**

![Graph showing the Intensive Console/Action PC User Base from 2003 to 2009](image)

Note: Intensive gamers defined as users who play more than five hours per week.

“...frequent console and Action PC audiences for comparability. Since a high proportion of US consumers have access to both platforms, more meaningful insight can be gained by examining usage-intense video gamers. These platforms represent the two most important game industry segments: Each draws dedicated users and offers rich platforms. Both Action PC and console user bases are primed for healthy growth through 2009, as follows:

**Action PC gamers.** PCs are found in roughly 70 percent of US households (average price per unit is $1,100), and high-end PCs in more than 10 percent of US households. Additionally, there is a real (if small) market for specialized high-end gaming PCs, with an average price of roughly $3,500 per unit.

**Console gamers.** Console users accounted for 29 percent of the US population at the end of 2003, an audience of frequent gamers that is substantively larger than its PC counterpart, despite the near ubiquity that PCs enjoy. This number will continue to grow steadily through 2009 to 34 percent penetration.”

Source: Jupiter Research Games Model, 1/04 (US only)
Growth of Console Audience

- 2004: 45%
- 2005: 45%
- 2006: 46%
- 2007: 46%
- 2008: 47%
- 2009: 47%
- 2010: 48%

New households: 6.3m

Source: JupiterResearch Games Model, 3/05 (US only)

Growth of Connected Consoles

- 2004: $95, 4%
- 2005: $167, 5%
- 2006: $280, 6%
- 2007: $473, 9%
- 2008: $688, 13%
- 2009: $969, 17%
- 2010: $1,256, 20%

Source: JupiterResearch Games Model, 3/05 (US only)
AUDIENCE

Wireless Gaming

![Graph showing the growth of wireless gaming from 2005 to 2010. The graph depicts the number of handsets installed base, cell phone game revenue, and number of mobile game downloads per user over the years for 2G, 2.5G, and 3G networks. The graph highlights the increasing trend in wireless gaming.]
AUDIENCE

Wireless Gaming Demographics

Of the mobile entertainment consumers surveyed:

- Both men (66%) and women (68%) play games at least once a day.
- More than a third (34%) of both men and women play games more than three times per day.
- Both men and women typically play games at home; however, more women (68%) are playing games at home compared to men (60%).
- Men are slightly more likely (37%) to typically play games in the workplace than women (31%).
- More than 60% of both men and women play for more than 10 minutes at a time, including a subset who play for more than 20 minutes and as much as two hours at a time.
- More than 70% of both men and women share mobile gameplay on their phones with friends or family members, however men are slightly less likely (68%) to do so compared to women (74%).
- Tweens and teens are a leading indicator of the future of mobile entertainment.

[Note: Sorrent refers to wireless (cell phone) gaming as mobile gaming.]
Jupiter Research expects the mobile game console audience to grow at an average of 3.9 percent per year, putting the installed base at 32 million units in 2010. The mobile console market is set to grow as a result of enhanced capabilities, more immersive games, and competition. While new hand-held systems can support casual games, cell phone games will be the platform of choice.
“The Web game audience is much different than the console or action-based PC audience. When focusing on heavy casual game players (i.e., gamers that spend more than five hours per week playing casual PC games), the differences become apparent. The audience skews female and older, as follows:

**Gender.** Among heavy users, there are twice as many females as males. And, while 40 percent of online females cited “ease-of-use and distraction” as their main motivations for playing games, less than 30 percent of males cite this as the primary motivation.

**Age.** Similarly, while the heavy console user age skews young, among heavy casual gamers, more than 50 percent are ages 44 and older. Only seven percent of heavy adult parlor gamers are between ages 18 and 24.”

*Source: JupiterResearch/Ipsos-Insight Consumer Survey (5/04), n = 344 (heavy casual gamers, US only)*
Best-Selling Genres

Games in the Media Mix

**Question:** On average, how many hours per week do you spend doing each of the following activities?

**Source:** JupiterResearch/Ipsos-Insight Teen Survey (11/04), n = 2,140 (teens ages 13 to 17, US only); JupiterResearch/Ipsos-Insight Entertainment and Media Survey (9/04), n = 2,231 (US only)

**Online Adults’ Average Time Spent on Various Media per Week**

**Question:** On average, how many hours per week do you conduct each of the following activities?

**Source:** JupiterResearch/Ipsos-Insight Teen Survey (11/04), n = 2,140 (teens ages 13 to 17, US only); JupiterResearch/Ipsos-Insight Entertainment and Media Survey (9/04), n = 2,231 (US only)
Diversions Impacted by Playing Video Games

“The study lends credence to observations that consumers are increasingly turning away from television and towards videogames for their entertainment. The Digital Gaming in America study found that 24 percent of gamers reduced their TV watching over the last year, and a further 18 percent expect to do so in the next twelve months. Video gamers are generally spending less time watching television this year compared to last year: they watched 16 hours per week in 2005 versus 18 hours per week in 2004, representing an 11.1% decrease.”

Ziff Davis Media & Strategy Group, Digital Gaming in America (9/05)
Based on a poll of a random national sample of 1,558, http://www.ziffdavis.com/press/releases/050809.0.html

“In absolute terms, the amount of time spent watching television has been flat and declining among consumers ages 18 to 24. However, as a fraction of time spent with media—including listening to the radio, listening to recorded music, watching TV, and reading newspapers and magazine—TV has remained strong among consumers ages 18 to 24, while time spent playing games has grown and shrunk in conjunction with the console hardware lifecycle.”

Jupiter, Games in the Media Mix, (11/05)
GAMES IN THE MEDIA MIX

"Trending Does Not Support View of Elusive Audience"

Jupiter

Question: Which of the following activities do you generally do less of because of your time spent playing video games? (Select all that apply.)

Source: JupiterResearch/Ipsos-Insight Consumer Survey (5/05), n = 1,465 (online regular gamers, US only)

“The impact of video games on other media is largely overplayed. Although a large fraction of users (42 percent) report some diversion from TV attributable to video games, the proportion of time spent with TV has grown relative to other media—including games—over the last three years.”

Percentage of Online Regular Gamers Who Spend Less Time Watching TV Because of Games

Question: Which of the following activities do you generally do less of because of your time spent playing video games?

Source: JupiterResearch/Ipsos-Insight Consumer Survey (5/05), n = 1,465 (online regular gamers, US only)
Formats

**One-Off Ad Placement**

A venerable tradition that goes back to the first racing games set on billboard-studded tracks. Billboards are hard-coded in the beginning and cannot be changed later. Pictured here is an Axe neon sign in *Splinter Cell: Chaos Theory*.

**One-Off Product Placement**

SEGA Europe’s *Worms 3D* game featured the energy drink Red Bull as a special ‘power-up’ that restores energy to worms. A new track from the Danish duo Junior Senior – “Shake Your Coconuts” – was also featured in the game prior to the record’s official UK release. Similarly, EA SPORTS’ titles include announcer mentions of such sponsoring brands as Old Spice.


**Dynamic Ad Placement**

A practice pioneered by Massive and IGA, who stream image textures into internet-connected games. The ad message placement is not limited to billboards and can take form of graffiti-covered surfaces, vending machines, TV screens or truck sides. Massive has recently announced that the company would soon serve multimedia ad units as well.

**Dynamic Product Placement**

Double Fusion claims to be dynamically streaming interactive 3D objects into the games it serves. Dynamic placement of interactive items based on player demographic profiles and behavior history has a powerful potential but is still embryonic.
“Artists like Snoop Dogg and 50 Cent have found their ways into the video game world. 50 is close to seeing the release of his own game *Bulletproof* which will allow multiple ad opportunities within the game’s wide open layout.

“MTV, BET, Hot 97 and all the rest by definition have limited space for me,” says one industry executive. “In the games, kids will be paying attention to my poster or listening to my tracks, especially if in *25 to Life* you are running from the cops and my billboard is the landmark for the safehouse.”

http://www.hiphopdx.com/index/news/id.3216

“In addition to the score of Don Davis, the composer for the *Matrix* trilogy, *The Matrix Online* will feature the music of Hostility, a metal band based in Northern California. Hostility provided select songs for the in-game club Parallax. Gamers can use their emotes to rock out to Hostility’s songs.”

http://www.hostility1.com/home.html

Massive Incorporated served billboards for Mötley Crüe into *Anarchy Online*, a massively multiplayer game whose world is set 40,000 years into the future, making gamers wonder whether the band will survive this kind of test of time.

http://www.grimwell.com/?action=fullnews&id=265

“Not only does the heavy metal era touchstone ‘Welcome to the Jungle’ by Guns’N’Roses appear in *GTA: San Andreas*, but the band’s frontman Axl Rose provides the voice of a radio DJ in the game.”

“Your opinion of the game will depend on two things: how much you like Mercedes-Benz cars and how easily you can forgive a so-so game for repeatedly attempting to pass off cars with an extra 20 horsepower as different from ones you’ve already driven.”

– Mercedes-Benz World Racing game review

http://www.gamespot.com/xbox/driving/worldracing/review.html

“The test will incorporate an inaudible audio code that will identify how long and how often players are exposed to various branded products in their games. The test will take place using Tony Hawk’s Underground 2 game on a PC, and the advertising it will be tested on is for the Chrysler Group’s Jeep brand.”

http://p2pnet.net/story/2823

“‘Clothing in videogames has been overlooked for too long,’ says Wilbert Das, head designer for Diesel. In September [1999], Das’ killer garb takes to the virtual catwalk in Psygnosis’ G-Police - Weapons of Justice. It’s the first clothing line designed by a fashion company for a videogame.”

http://www.wired.com/wired/archive/7.07/mustread.html?pg=9

Need for Speed: Underground 2 received Gamespot’s award for Most Despicable Product Placement. Gamespot explains, “When you’re trying to create a realistic city, inserting actual businesses can make an area feel a little truer to life. This game not only includes actual businesses, but it also makes sure you know where they are by putting things near them and then sending you messages that say things like “The hidden parts shop is marked by a red light near the Burger King(TM).”
Ubisoft and Sony Ericsson Mobile Communications announced an in-game product promotion for *Tom Clancy’s Splinter Cell: Pandora Tomorrow*, one of the most anticipated video games of 2004. The alliance puts the Sony Ericsson P900 and the T637 camera phone in the hands of operative Sam Fisher, as he wages a one-man war against terrorism.

‘The innovative technology featured in the P900 and the T637 made these the perfect devices to add to the intense realism in *Tom Clancy’s Splinter Cell: Pandora Tomorrow*,’ said Dewey Walsh, product marketing director for Sony Ericsson North America. ‘The Sony Ericsson P900 smart phone is the ultimate complement to help Sam Fisher complete his missions. With its combination of PDA, phone and camera features, it combines the latest and greatest in mobile technology, outfitting our hero with everything needed to combat evil.’

Instead of being merely an advertisement within the game, the products are integrated throughout the entire experience and the player cannot move forward without using both the P900 and the T637 camera phone to complete his missions. Sam Fisher must use an image captured by the T637 to help the NSA identify the leader of a terrorist group, which has taken over a cryogenics lab in Paris in a race against time. The P900 is also used frequently throughout the game to change weapons and communicate with superiors. The seamless integration of the products into the plot makes this deal the perfect way to subtly reach consumers in the male 18-34 demographic.

Sony Ericsson also announced a wireless version of *Tom Clancy’s Splinter Cell: Pandora Tomorrow* for the T630 camera phone.

EA SPORTS claims to have earned $1 million in revenue from placing ads in its 2004 title *NASCAR 2005: Chase For The Cup*. Besides billboards and branding on cars and drivers’ outfits, some advertisers got entire branded tracks, while P&G’s Mr. Clean character was put to work in an Easter egg crew pit.

The following secret passwords, when typed during the game, unlocked more branded stuff:

- OldSpice Venue: Unlockas Old Spice Tracks
- Levi Stauss153: Unlockas Levi Strauss Cars
- OldSpice Motorsports: Unlockas Old Spice Cars
- Race Dodge: Unlockas Dodge Cars
- Walmart NASCAR: Gives you Ten Million Dollars
- Dodge Stadium: Event Thunder Plates


PC/Console Advergaming

Full-length media-rich games commissioned by single brands are still a rare breed, not in the least because of the prohibitive costs and distribution complexities. One notable exception includes games built by media companies to promote their upcoming films. These games are tightly connected to the film’s plot and often reuse its talent and assets. Another famous exception is the America’s Army game which was developed for around $7 million, prompting the popular game-review site Gamespot to call it “the most expensive game given away for free.”

Terminal Reality, a developer famous for its Monster Truck Madness franchise, developed a series of games for Chrysler as part of a larger campaign for the Jeep brand. The 3D multi-level titles, such as Jeep Trail of Life and Jeep Mountain Madness, are available for free download on Jeep's site at jeep.com. Jeep also paid to be included into the Tony Hawk skateboarding games from Activision, where Jeep vehicles were prominently placed as course obstacles.

In 2004, Blitz Games developed a stand-alone PC game for Paramount to promote the studio’s upcoming film Sky Captain and The World of Tomorrow. The studio provided various digital assets from the movie: textures, backgrounds, music and sound effects.

In 2005, the same company created Bratz: Rock Angels, a self-described shopping and exploration game for the doll-maker THQ. The game was released on a range of platforms that included PC, Game Boy Advance, Nintendo Game Cube and Sony PlayStation 1 and 2.

In November 2005, Volvo announced the launch of Volvo Drive For Life, a game that it called the first console game built around an entire brand. The game was published by Microsoft for the Xbox system and focused on Volvo’s safety features. Volvo said the game would be made available through car dealerships.

LOS ANGELES (AdAge.com), May 30, 2005 – Microsoft Corp.’s new Xbox 360 console game system has been engineered to accommodate and advance advergaming concepts as never before, and its global audience of gamers will be sold aggressively to marketers when the product hits the stores this fall, according to the company.

‘Picture a video-game racing season on Xbox Live sponsored by one of the world’s leading auto manufacturers,’ said Peter Moore, Xbox’s corporate vice president for worldwide marketing and publishing. ‘At the start of the season, 250,000 people pay $10 each to sign up for a head-to-head 30-race competition. The stakes? How about a million bucks to the overall champion? In the final race, 16 finalists go head-to-head for the million-dollar prize. And with spectator mode, 250,000 fans will log on to watch the competition. If you are the sponsor, you’ve captured the attention of hundreds of thousands of people who’ve spent the last six months living and breathing your tournament and your brand.’

‘For a typical sporting event, there are a few people playing and the rest watching,’ he said. ‘For an Xbox 360 event, lots of people can participate and lots can watch. That makes for a lot of highly engaged people.’

Xbox 360’s ability to collect information on gamers – from hardcore to casual players – is exactly what will make the system appeal to advertisers looking for new ways to connect with a lucrative demo. Microsoft is hoping to broaden the console’s appeal beyond the core 13- to 34-year-old gamer and target women and casual gamers as well, who tend to gravitate to online play. That opens up the possibilities for more ad categories.

Through Xbox Live, users will register in order to play games online, meaning Microsoft will have a reservoir of data on its consumers. Audience measurement ‘will be state of the art,’ said Jonathan Epstein, an agent specializing in the video game and marketing arenas at Hollywood’s United Talent Agency.
Casual/Web Advergaming

Casual advergames range in genres, underlying technology, access points and complexity from virals with a shelf life of a few weeks to sprawling virtual environments about which there's nothing casual, including seven-figure budgets and massive gamer involvement. While advergaming has only recently begun to gain wide acceptance and the industry-wide metrics are yet to be developed, early successes demonstrate branded games’ potential to generate interest, if not outright sales.

The advergame site www.candystand.com, developed by Skyworks for Kraft/Nabisco, has attracted more than three million unique visitors per month.

Speaking of generating interest, Axe’s new downloadable game Mojo Master, where the player must weaken a woman's resistance and obtain her phone number, was met by student protests over the sexist message of the game.

At the peak of its popularity, the game portal CokeMusic.com, which included a virtual world of Coke Studios, attracted well over a million page views a day, enjoyed an average growth of over 200,000 unique visitors per month, and experienced average visits lasting over 25 minutes.

Virtual Magic Kingdom is a virtual re-creation of Disney’s theme parks. Registration is free and VMK visitors will find beautifully rendered rooms based on familiar Disney themes, such as ‘Snow White’s Hide and Seek Forest’ and ‘It’s a Small World Imports’. Each visitor can also create a personalized room which can be decorated with items earned by playing games, completing quests, and trading with other players. Virtual Magic Kingdom is the first virtual world that lets visitors supplement their online experience with a visit to a real world theme park. Each Disney resort in Florida and California has a ‘VMK Central’ area that lets players visit VMK to earn rare items. Characters created in person at a VMK Central area will be able to display a special ‘Born in Park’ icon.

Virtual Worlds Review
http://www.virtualworldsreview.com/vmk/
Mobile Advergaming

Mobile advergaming, still a nascent genre, faces an added challenge of constricting hardware specifications (screen size, controls, memory, lack of streaming capabilities) and a multitude of incompatible platforms.

Yet the few early successes show the potential of a medium that is ubiquitous, portable and appeals to a wider audience than the major-league platforms.

For example, when California-based Thumbworks released in 2003 a mobile game to create brand awareness for Suzuki Motors among 18-25 year olds, the free trial game was downloaded 350,000 times in a period of 4 months. Besides awareness, the campaign resulted in approximately 100,000 paid downloads of the game.

Advertising in third-party game properties gains steam as well. In 2005, Infospace announced a marketing opportunity in its mobile multiplayer games; ads come as alerts and interstitials. In-game product placement that goes beyond banners could develop as well (although current examples are hard to find), especially when games like The Sims arrive to the platform.
HIGHLIGHT
Life After Clippy: Microsoft’s Game for Office 2003

AvantGo co-developed and distributed an interactive mobile game campaign that proved extremely precise in reaching Microsoft’s target audience for Office 2003.

Results for the first phase of the campaign, a Concentration-style advergame, were more than double the initial projections regarding downloads, interaction and opt-ins for more information. Specifically, nearly 65,000 subscribers downloaded the game with individuals playing the game an average of four to 10 times, all the while interacting with the brand and absorbing the key product benefit messages embedded in the game content.

Early results from the second phase, a Jeopardy-style advergame, indicate it will outperform the first phase. Still running, the campaign has generated over 830,000 impressions, with an 8.9% average click-through rate and 54% conversion rate.

Hardware Tie-Ins

In the early 1990s, Sega released a limited edition of its Game Gear handheld console wrapped in a red skin and featuring the Coca-Cola logo. The company also released a cartridge with a *Coca-Cola Kid* game that became a precursor of today's advergaming.

http://www.watercoolergames.org/archives/000312.shtml

More recently, Pepsi and Nintendo have participated in a joint campaign that resulted in a Pepsi-blue Nintendo DS handheld console with Pepsi-branded earphones.

http://www.watercoolergames.org/archives/000348.shtml

Gizmondo, a new handheld console that is entering the US market, will sell at a steep discount to users willing to sit through three 30-second ads a day. The program is called “Smart Ads” and the company already partners with Reebok, Levi’s, Sprite and Adidas. Barcodes or coupons will sometimes appear after ads, and these barcodes can be scanned directly from Gizmondo screens.
Massively multiplayer online games (MMOGs) can be traced back to the text-based worlds of the 1970s and began appearing in a graphic form in 1991 with the launch of *Neverwinter Nights* on AOL. MMOGs have stayed relatively free of commercial advertising (players could announce items for sale in return for in-game currency) in part because of long development cycles (3-4 years) and in part because of the unsuitability of the dominant fantasy genre for billboards peddling real-world goodies.

This situation is rapidly changing.

In November of 2005, Sony made a deal with Massive to feed dynamically served billboards into *Matrix Online* and *Planetside*. The company has promised that players, too, would be able to create and submit ads to be shown in the virtual world.

Earlier that year, Sony included a script into its widely popular MMOG *EverQuest II* that allowed players to order Pizza Hut’s pizzas by typing “/pizza” from the game itself. The company later claimed that the test had been a success and that Sony was considering adding other similarly-activated services, but some players criticized “/pizza” and the browser windows the command would spawn as disruptive to the game experience.

Also in 2005, Fancom (with the help of Massive) began streaming video and audio ads into its *Anarchy Online* world. The first video ads were unveiled to players at the four year anniversary for *Anarchy Online* in June, and brought fictional video advertisements from the warring factions in the game. By late July the first paid video advertisements began to appear, with Panasonic and Channel 4 being the first to sign up. A joint press release from the two companies celebrated the new opportunities for in-game ads: “Someday games like *Anarchy Online* might stage live concerts and live appearances, show the latest music videos in the clubs and even deliver in-character newscasts to entertain and inform players. The technology gives numerous possibilities and expands the opportunities for creative game developers.” Earlier, Fancom had announced that the original version of the game would be playable for free and supported by advertising in a move that extended the game’s shelf life while delivering eyeballs to the billboards.


In-game advertising firm Massive Incorporated has opened up a whole new world of suck in the online game *Planetside*, rendering the game’s sci-fi environment thematically useless. In *Planetside*, ‘thousands of players wage war on a planetary scale.’ Note that Earth is not the planet in question here.

*Planetside* is the second large-scale sci-fi game that Massive has degraded – the first was *Anarchy Online*, where ads for Sprite and Mötley Crüe polluted the alien landscape. Massive brazenly claims to increase the realism of games by placing tasteful dynamic advertisements in appropriate locations, but as we can see from both *Planetside* and *Anarchy Online*, those claims fall flat.

Nothing says ‘science fiction’ like an ad for a modern movie, replete with URL. How this contributes the realism in the context of *Planetside* is beyond me. Not only do the game’s wars not take place on Earth, I’m pretty sure we’re beyond movie theatres and the World Wide Web in the far future.

*Clickable Culture*

http://www.secretlair.com/index.php/clickableculture/entry/massive_ruins_planetside/
Open worlds (such as Linden Lab’s Second Life) that allow users to create, upload and trade new game objects provide new opportunities for advertising approaches not possible in other MMOGs.

Last summer, science fiction writer Cory Doctorow distributed a free in-game copy of his new book (earlier published in the real world), created with help from one of the players. The author later visited the world for an author’s reading session and a virtual book signing.

A Second Life player has been trying to cultivate a virtual advertising market within the game. Underthorn has measured approximately 1.2 million impressions on his MetaAdverse network of billboards. He estimates 60 percent of the total gaming population of Second Life has seen his ads. Some advertisers reported 160 percent sales growth while the ads are running.

Wells Fargo bought a Second Life island where the bank set up a theme park to “reach young people who were leaving home and becoming financially independent for the first time.” Stagecoach Island was designed for players to explore an imaginary world using virtual money, which they would earn by answering financial questions.
Alternative Reality Games

Alternative reality games (ARGs), also known as ubiquitous games, take place in a mixture of the real world and the virtual world of the game. ARGs, a genre that probably traces its roots to murder mysteries, reached popularity with The Beast, a game designed to promote the launch of the movie A.I. With the exception of Majestic by Electronic Arts, the first ARG that was also a commercial flop (costing the company $10 million in development costs), all major games have been promotions for other products.

By the time the game ended in July, The Beast had attracted an audience of over a million and gained international media attention from CNN, ABC, BBC, the New York Times, USA Today and any number of websites.

http://www.gamasutra.com/features/20050509/hon_01.shtml

“BMW’s Uncap the Ride ARG was launched along with The Hire series of short films. News eventually surfaced in a Macintosh rumors forum that the Apple site had a mysterious tiny :K: link which seemed to have something to do with those BMW films. Investigation of the subplot films that went along with each production revealed clues to a massive internet scavenger hunt set in the Driver’s universe that spanned many sites, including the Apple and BMW Films sites, Starbucks, First Illinois Mortgage, and the Susstones’ site.”


“Audi spent $5 million-plus to run the Art of the Heist game. The carmaker thinks few online gamers will actually buy an A3. The real goal is to generate buzz among the 25-to-35-year-old, upper-income males Audi targets. During the three-month campaign, hits to Audi’s Web site were up 140% from last year, with the heaviest traffic coming from the Heist game sites. Dealers got 10,000 sales leads and handled some 3,500 test drives.”

http://www.businessweek.com/magazine/content/05_30/b3944097.htm
The Alternate Reality Game *ilovebees* was the most phenomenal game marketing campaign [it promoted Microsoft’s *Halo 2* game] I have ever witnessed. As thousands of players spent months interacting with dicey and alluring A.I.s from the future, their actions resulted in the revelation of an emotional and action packed story set in *Halo’s* universe.

As the realization came about that the game was indeed a marketing campaign for *Halo 2*, the playing community went through a bit of an identity crisis. Did we care that all of our blood and sweat and emotional ties were in fact being poured into a marketing machine? Interestingly enough, the answer was “No!”

All of us were enthralled by the marketing content itself, and that is no small thing. When was the last time YOU drove a hundred miles to pick up a payphone and speak secret passwords that were basically spinning the wheels of an advertisement vehicle, and still feel like you were in the middle of a life-changing experience?

I don’t know if future ARGs can hold that magic, but if they can, advertising has just become the new entertainment.

James Bohnert

Untapped Potential

Modding and Level Editing

Many PC games come with fairly intuitive built-in level editors, and user-created levels are actively traded online with the best level-makers achieving near-celebrity status in their communities. Creating a brand-related custom level and seeding it to the game fans could be an inexpensive guerilla way to reach niche audiences.

Mods are games built on the original’s engine using entirely new content. While more difficult and expensive to create, mods have the advantage of being stand-alone and, unlike levels, not requiring players to own the original. While advertisers will need to acquire licensing rights from the publishers, adver-mods are generally cheaper to develop than adver-games of comparable complexity and can outlive the very game they are based on.

One of the few companies to have tried modding for advertising purposes was Sony Pictures, who released the free Half-Life mod Underworld: Bloodline to promote its 2003 action-horror film Underworld. The mod was reportedly developed in two months by Black Widow Games (http://www.planethalflife.com/manke/).

Skinning and Item Creation

Many PC games also allow players to modify looks of their characters and in-game objects, a practice known as skinning. One such game is Grand Theft Auto III (and its sequels), where dressing a character in new clothes is a matter of modifying a single bitmap file. Many players choose to create, use and share online skins based on popular brands, although skinning by advertisers is undocumented.
Machinima

Although machinima – the practice of making short animated films using game engines and properties – is a fairly new cultural phenomenon, the technique has been long used by game publishers promoting their new titles. Game trailers are often built with the same software that powers the games and are made available online and shown on TV and theater screens.

Taking a cue, MTV launched Video Mods, a show featuring game characters jamming to tunes by Evanescence, East Side Boyz, Fountains of Wayne and other bands.

More recently, Volvo held a contest at NYU for short screenplays. The winning eight-minute entry mixed film and machinima to tell a story centered around a hapless architect who ends up inside a *Grand Theft Auto*-style video game that has “upper levels” which are behind-the-scenes to the average player. The entry prominently featured a red Volvo car (www.machinima.com/article.php?article=424).

The game *The Movies* by Lionhead Studios features a tool that allows players to create their own machinima from scratch, export their work and upload it to the Web.
**Arcade Advergaming**

Growth in the number of information and promo kiosks combined with the popularity of gaming leads to a thought that arcade machines could yet relive a second coming as advergaming devices. Power them up, plug them into the Internet, connect them to a server and you have a machine that will not only display billboards to the racing gamers, but will also beam video ads, music and film samples and game trailers.

Pictured here is the coin-operated racing simulator *The Fast and the Furious*, which promotes both the movie and real-world cars such as this Toyota Celica.

**Disposable Handhelds**

With production costs of disposable handheld games dropping enough for McDonald’s to include them into Happy Meals, these mini-consoles may become an attractive platform for advertising messages. The success of Tamagotchi has proven that there will be at least a few kids who wouldn't scoff at the device’s minimalist aesthetics.

**Text Games**

There was a time when text-based adventure games were extremely popular. That was when computers were weak and slow. There are some other weak and slow platforms that enjoy a very wide circulation even today: cell phones and Blackberries could be great platforms for inexpensive text advergames. A special bonus to those who design a game playable over the phone with those annoying Interactive Voice Responders, intimately familiar to anyone who has ever tried to access customer service.

**iPods**

Apple is believed to have sold 37 million iPods by the end of 2005. With some hacking, iPods can play games. The company that puts out the first fun advergame that’s easy to install onto an iPod will suddenly find its brand in the hands of a sizeable chunk of the population.
BILLBOARDS

A limited study (n=42) conducted in 2004 by a group of researchers at the University of London showed that half of the participating gamers could not recall any of the advertised brands or products (unaided recall). The study suggested that “the gamer could remember pictures (product) much easier than the actual words (brand). Thus primary demand, that is, the entire product category, rather than secondary demand, the specific brand, is more likely to be impacted”. The results compared favorably to recall from real-life billboards.

Chaney, Chaney, Lin, “The Effects of Billboards Within The Gaming Environment” (http://www.jiad.org/vol5/no1/chaney/index.htm)

In 2005, Mitch Davis, CEO of an ad-game network Massive Incorporated, claimed in an interview with VNU’s Inside Branded Entertainment that actual “brand recall is between 30-55%, which was seen across four recent campaigns”.

3-D OBJECTS

A wider study (n=900) conducted by Nielsen Interactive Entertainment in 2005 and commissioned by the ad-game network Double Fusion “showed that the in-game campaign resulted in a 60 percent increase in awareness for a new product, and also showed that, while all ad formats had significant impact, animated 3-D advertising insertions achieved twice the recall of static billboards”.

Double Fusion’s press release
http://biz.yahoo.com/prnews/051003/ukm001.html?v=30

BRAND INTEGRATION

Another study by Nielsen Interactive Entertainment, commissioned in 2004 by the game publisher Activision, showed that “87% of research participants (n~500) remembered seeing a high-integrated brand much more frequently than other less integrated brands. Often, participants who recalled seeing a specific brand advertised in-game were much more likely to express an interest in buying the associated product than were participants who did not recall seeing the brand”.

Activision’s press release
### Reach of In-Game Sponsorships

You can determine a game’s reach by looking at units sold and pass-through. Shumaker offered this formula, based on a typical EA Platinum title:

- 1 million estimated units sold across all platforms (PS2/Xbox/PC). Estimate based on sales of previous versions.
- Played on average of 50 times/year.
- Played by an average of 2.5 people per experience

**TOTAL:** 125,000,000 guaranteed minimum exposures.

Note that this is exposures, not impressions.

_Julie Shumaker, head of ad sales at Electronic Arts:_

“EA does not begin to break out the number of impressions per exposure, as we believe impressions per exposure are value above and beyond the baseline of these programs. It would put the impressions in the billions and the CPM so low we believe it undervalues the program.” However, marketers can break that information out based on how many times per play session their brand is present.”

_Mitch Davis, head of Massive Incorporated:_

“The costs for video game advertising are comparable with cable television. Video game advertising campaigns usually run between two-four weeks.

“Massive has defined an advertising unit in a video game that suits the game. In TV, there are 30, 15, and 10 second ad units. In video games, a 15 second cumulative ad unit of a minimum size in a minimum angle to the screen has been defined. This ad is not counted as an impression until it hits all of those thresholds, and is very much tailored to the game.”
Gamers’ Reactions

**BusinessWeek:**
According to Double Fusion, 50 percent of study participants said they found that in-game ads make the experience more realistic, while just 21 percent disagreed. Similarly, 54 percent said in-game advertising “catches your attention.” Just 17 percent disagreed, the company said.


**SatanicPuppy, Slashdot:**
How much advertising can be done without making people crazy? I think GTA would be a good testbed, because if the ads make the players crazy, you know someone is going to go to the ad company and kill everyone there.

[http://games.slashdot.org/comments.pl?sid=119283&cid=10068392](http://games.slashdot.org/comments.pl?sid=119283&cid=10068392)

**Stinger7bb, Gamespot:**
All you saying ads are cool, add realism, etc etc. Why don’t you sell your forehead and put an ad on it? How much money would it take? Freaking sellouts. Figures it was Sony, they seem to be on a roll lately. rootkits, now ads in games.


**Moraelin, Slashdot:**
There are lots of opportunities for advertising in online multiplayer games which won’t necessarily break the game.

[http://games.slashdot.org/comments.pl?sid=119283&cid=10069369](http://games.slashdot.org/comments.pl?sid=119283&cid=10069369)

**electrikALIEN, Gamespot:**
What scares me is the next step of in-game advertisements. I don’t want to be playing an RPG where my healing potion is replaced with a can of Coke.


**Spaz, reviewing “Run Like Hell”:**
My favorite part of the game are the vending machines scattered about the space station that distribute a real drink named Bawls. Drinking Bawls supplies Nick with instant energy and also what is now my favorite tag-line from a video game: Grab your Bawls and Run Like Hell.

[http://www.justadventure.com/reviews/RunLikeHell/RunLikeHell.shtml](http://www.justadventure.com/reviews/RunLikeHell/RunLikeHell.shtml)
Ilya Vedrashko is a graduate student at the Comparative Media Studies program at MIT. His work focuses on identifying new advertising channels within and outside of the existing media structures and keeping a log of creative outdoor ads. Ilya comes to the department from the Sofia office of Grey Worldwide where he managed accounts for Procter & Gamble, HBO and Wyeth. He also spent a summer at Fallon working as a strategist for its interactive department. Ilya brings five years of professional experience in marketing communications and brand management and holds a BA in business administration and political science from the American University in Bulgaria and an MA in philosophy of virtual culture from Sofia University. His personal website is at vedrashko.com.

The Convergence Culture Consortium at MIT (C3) is a partnership between thinkers and researchers from/affiliated with the Comparative Media Studies program at MIT and companies with a keen interest in deciphering convergence culture and the implications it can have for their business. Members of the consortium gain new insights and ideas about a very intractable and urgent set of questions that they are already grappling with in the current business environment. We aim to expand the role of industrial leaders by informing them of dynamic humanistic scholarship while providing them with early access to the cutting-edge ideas that emerge through the consortium. For more information, please visit www.convergenceculture.org.