

Welcome to the Video Game Newsletter

July 2008

Over the past month or two, a few articles and press releases have surfaced covering the in-game ad space. These announcements are coming from the dynamic in-game ad space, mainly Massive Inc and IGA Worldwide, addressing “issues” such as gamers being cool with in-game ads, auditing and research being offered, and the efficacy of dynamic in-game ads – both for and against. Additionally, a couple of strategy consultants from IBM wrote an article for Adweek entitled “In-Game Ads Put Brands In Play” that makes the argument for reaching a disappearing demographic through game consoles by leveraging in-game ads. Interestingly, each article and release cites a different projection for the overall in-game market – from \$971 million to \$2 billion in 2012 – of which dynamic advertising is one segment.

No matter which way you look at it, although the in-game marketplace is in a growth spurt it has some real growing up to do. First and foremost, the industry lacks standards for impression counting. The dynamic vendors are focused on the technology of it by selling time and viewing angle, but marketers really could care less. Marketers prioritize common, unilaterally accepted currency as a first step for comparison to other media. With the impression being the only thing this industry has to sell – gamers can’t click on the ads without serious game play interruption/intrusion – standardized counting methodology should be more of a priority. Second, the dynamic in-game advertising process needs to be streamlined.



To buy impressions within, say, Electronic Arts' Madden Football, a buyer would have to go to Massive and IGA WW to purchase all platforms that offer dynamic placement – Xbox 360, Playstation 3 and possibly PC. That means there is twice the amount of work needed for implementation of inventory contracting, terms and conditions negotiation, creative asset development, reporting, campaign management, and so on.

Next, there are few ways to determine if the games ads run within are being played by the desired target audience. Some game titles may succeed in hitting the under 18 segment, and other titles 25 and up. For instance, take a game like Guitar Hero. Families play that game, so are you reaching the teenager, the College Student, the Mom, Dad or the Tween? For brands with broader targets, the need may be to reach all of them making the title a great fit. For more specialized brands, it becomes imperative to have more data to make the most informed decision. Currently, when receiving proposals from Massive, IGA and others, target information is rarely included.

Lastly, there's a lack of quality inventory. Up until recently, all official sports titles were off-limits to any brand that wasn't an official league sponsor, leaving inventory to be mostly sourced from games in the Racing and Shooter genre. These categories have some inherent challenges like content (guns, blood and guts isn't for everyone) or exposure (driving by at 200 mph).



How are these issues being addressed?

- **Impression methodology:** MEC has been very vocal with all dynamic in-game partners, the IAB Games Committee and game developers to ensure this is addressed quickly.
- **Streamline process:** This is the toughest of all to improve upon. However, there may come a time when the developers, like EA, will have a greater role to play with dynamic in-game transactions. Until then, we will partner with the holders of the inventory.
- **Improved Targeting:** MEC will shortly be signing on to Interpret's GaMeasure service that will be used to select titles based on product/media consumption, demographics and/or psychographics, much in the same way MRI or Simmons are used. Furthermore, GaMeasure will be available through IMS applications, making the resource available in an already familiar tool set. In addition to title selection, frequency capping is most important for dynamic in-game given the hours heavy gamers play in one session causing severe over-exposure.
- **Inventory quality and pricing:** More titles are becoming available on more platforms, offering advertisers better choices and higher quality with less concern over content. At this time, MEC feels open-rate CPMs are high relative to other options for display-like advertising. However, some premium can be expected as there are few ways to reach gamers within gaming consoles.

Today, dynamic in-game advertising should be considered a vehicle in which marketers invest to learn. If static integration can be afforded from both a timing and budget standpoint, and one or two titles can be identified, then static would be recommended. Deeper integration, consistent positioning and greater efficiencies will be clear benefits. That said, dynamic in-game advertising offers flexibility from a timing, messaging, targeting (time of day, geography) and budget perspectives while enabling broader reach by running within multiple game titles. Brand studies can be attached to either format for measurement as added value if the minimum investment levels are reached for performance insight.

In-game advertising isn't the end-all, but as part of the mix to surround gamers, it's a viable – and valuable – tool in the toolbox.

Reference material

Categories of in-game advertising include:

- **Static In-Game Advertising:** This type of placement occurs during the game's development with brand advertising coded directly into the game. The placements include standard placements like virtual billboards or product placements, while others include branded/sponsored downloadable content elements, unlockables or storyline integration. Vendors include game developers such as Electronic Arts, Activision Blizzard, Take Two Interactive and Ubisoft. Lead times are extended, up to 12 months out, depending on the depth of integration, with integrations typically affording brands placement on all platforms – Xbox, Playstation, Wii, PC, handhelds – depending on which ones the game is made for.
- **Dynamic In-Game Advertising:** Like online display advertising, dynamic in-game ads are served into primarily billboard placements in real-time when gamers are playing the game. A piece of code is used during game development to enable the serving of ads to gamers who are connected to the Internet. That doesn't mean the gamer is playing another gamer online, it just means they need to have an Internet connection to their console or PC for dynamic ads to be served. Dynamic in-game ads offer flexibility for timing, creative messaging and can be implemented across multiple titles in network fashion. However, placements are limited to billboards, cost-per-thousands are high relative to other game-related advertising options, and multiple vendors are needed to access multiple platforms. Vendors include Massive Inc (Xbox exclusive, PC), SCEA (Sony first-party titles only), IGA Worldwide (PC, PS3 for EA titles), Double Fusion (PC, other platforms pending) and Wild Tangent (PC; Wild Games exclusive).
- **Game Portal Display Ads and Sponsored Sessions:** Banners, interstitials, video ads and other standard online ad formats make up the bulk of this section. Games range from Bejeweled to Poker to Classic Arcade games to the original Prince of Persia. Companies like Wild Tangent have made sponsored sessions a key platform for brand partnership (such as WT and Coke with My Coke Rewards), while Double Fusion is looking to monetize back-catalogue games by making them free via advertiser support. Other vendors/game sites include Pogo.com, Yahoo Games, Runescape and PopCap Games.
- **Not Included:** Widget game (ie: Scrabulous on Facebook) advertising, Mobile game advertising, advergaming.



Recent forecasts for in-game advertising spending

Nielsen media research: \$1b by 2010 (in-game industry)

Yankee group: \$971mm in 2012 (dynamic in-game only)

IGA press release: \$2b global industry by 2012 sourcing eMarketer (video game advertising)

eMarketer: \$650mm by 2012 (in-game advertising; fixed, dynamic, casual interstitials; not advergaming)

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