

Advertising: Video Games

Recent Articles on Ads and Video games

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Advertising Strategists Target Video Games

April 21, 2006 10:33AM

Visa isn't the only brand getting into the virtual action. In-game advertising is expected to double to nearly \$350 million by next year, and hit well over \$700 million by 2010, according to a report released this week by research firm the Yankee Group.

Advertisers are getting into the game – the video game. Increasingly, big-name marketers are turning to game developers to woo consumers more interested in the game controller than the remote control.

“The fact is you aren't able to reach consumers the same way you could 20 years ago, 10 years ago or maybe even five years ago,” said Jon Raj, vice president of advertising and emerging media platform for Visa USA.

Visa ingrained itself into Ubisoft's PC title “CSI 3” by making the credit card company's identity theft protection part of the game's plot.

"We didn't just want to throw our billboard or put our Visa logo out there," Raj said.

Visa isn't the only brand getting into the virtual action. In-game advertising is expected to double to nearly \$350 million by next year, and hit well over \$700 million by 2010, according to a report released this week by research firm the Yankee Group.

Bay State game creators are already reporting an uptick in interest from marketers wanting to roll real-life ads into fantasy worlds.

"I've seen increased interest here and throughout the industry," said Joe Brisbois, vice president of business development for Cambridge-based Harmonix Music Systems. Harmonix's last offering "Guitar Hero" featured a variety of Gibson guitars.

"People don't know how this is all going to pan out yet," Brisbois said, adding the market will likely boom once customers can buy products without turning off the game. "Once people are able to jump from a game to a retail space online and back, that will be a powerful motivator," he said.

With more ad dollars pouring into the industry some smaller players are hopeful they'll see some of the cash.

Even smaller developers producing addictive games will share in the wealth, said Michael Gesner, president of Dragonfly Game Design in Westboro.

Companies crafting cell phone games are also expected to see a boom in marketing revenue. Spikes in advertising through online, console and PC games will translate into the mobile world as well, said Matthew Bellows, general manager and vice president of Floodgate Entertainment, which makes games for mobile phones.



(Screen shot from MLB 2K6, showing real ads embedded in virtual game)

Baseball video game gets in-game ads

By Scott Hillis Thu Apr 6, 9:17 AM ET

SAN FRANCISCO – For some baseball video game fans, a trip to the virtual ballpark is getting a bit more realistic – for better or for worse – with the arrival of in-game advertising.

Massive Inc. said on Wednesday that Take-Two Interactive Software Inc. is using its ad-delivery system to put billboards, logos and other corporate promotions in the game “Major League Baseball 2K6.”

The deal, which also involved Major League Baseball and the Players’ Association that controls athletes’ images, is a big boost for Massive, which hopes to tap the growing popularity of a medium whose annual revenue of \$25 billion is now bigger than Hollywood’s box office haul.

“Video games are front and center as a major new advertising medium,” Massive chief executive Mitch Davis told Reuters in an interview.

Advertisers are expected to spend up to \$100 million this year on such ads, and Davis said that could swell to \$3 billion in 2010 as ad money chases the coveted demographic of 18 to 34-year-old men, who are increasingly turning to games as their primary form of entertainment.

Davis did not disclose the size of the Take-Two deal except to say that it was several million dollars that will be split between Massive, the publisher, MLB, and the players.

Video game makers are attracted to in-game ads because they can help offset soaring development costs. Some gamers, however, chafe at the idea of being exposed to ads in a product that costs as much as \$60.

Massive argues that its system, which places different ads in a game depending on the context, can enhance a game by making it more realistic. Davis vows to never disrupt the feel of a game by, say, placing a pizza ad in a fantasy title.

"Advertising in the (baseball) game is additive. It makes the game better, it makes it more realistic because when you go to a stadium to watch a game, you see advertising around the stadium," Davis said.

Anthony Chau, a spokesman for 2K Sports, the sports brand of Take-Two, agreed.

"Not only are we enabling ourselves to find a new means of profit, but we are adding more realism to the game. At the same time, we don't think it's intrusive," Chau said.

Massive's ad-tailoring system relies on the gaming machine having an Internet connection. Thus, the ads in the baseball game will only be seen on the version for Microsoft Corp.'s original Xbox Xbox console, which can be hooked up to the Xbox Live network.

Privately held Massive is backed by \$20 million in venture capital. It rolled out its system more than a year ago, and says it has signed up 37 publishers and developers that have already placed ads in nearly 70 games.

Rated M for Mad Ave (Feb. 27, Business Week)

With 100 million gaming U.S. households, according to Forrester Research Inc., and folks increasingly interacting with a video screen instead of passively watching TV, no wonder Nielsen forecasts that ad spending on brand placement in games will balloon from \$75 million last year to as much as \$1 billion by 2010.

[\(Story\)](#)

DFC: Don't Get Hopes Up on In-Game Ads

By Kris Graft

Game industry research firm DFC Intelligence states that significant in-game ad revenue is five years away, and will likely remain only a secondary revenue stream for some time.



By [Kris Graft](#)



Game industry research firm DFC Intelligence states that significant in-game ad revenue is five years away, and will likely remain only a secondary revenue stream for some time.

✘ In a research summary, DFC also noted that the gaming sector that is creating the most ad revenue is casual online gaming, not product placement within MMORPGs or other more “hardcore” online games.

In-game ads in casual games are relatively easy to make visible, and therefore more effective, because the ads can be displayed around the gameplay area while games are being played in a web browser. Visibility combined with the fact that casual gamers spend a lot of time on casual gaming sites makes for a much more successful means of advertising when compared to a neon sign for Axe body spray that you may pass by in Splinter Cell. Large casual game sites reportedly sell out their ad inventory regularly, thanks to the attraction of tens of millions of unique users each month.

The research brief also makes a point that consoles that push an “always-on” connectivity are better targets for advertisers, and not because of potential dynamic in-game product placement that is supplied by companies such as Massive. The article makes specific reference to the potential of the Xbox Live Marketplace, which features opt-in ads such as downloadable game demos, as well as the opportunity for display ads within casual Xbox Live Arcade games.

Reiterated within the article is the accepted point that in-game advertising’s biggest hurdle is getting games online. Most gamers within the coveted young male demographic still play games offline, which isn’t conducive to dynamic advertising.

DFC concluded that there is a lot of potential for in-game advertising, but the industry has to be realistic about when and to what degree the phenomenon will take off. It may not be the [explosive revenue stream](#) that people are expecting; at least not in the short timeframe that many expect.

Advertisers await game measurement

The lack of an objective audience measurement is putting a speed bump in the growth of in-game advertising that seeks to reach the coveted demographic.

By Paul Hyman Jan.26, 2006 (link in story added by media educator Frank Baker)

If advertisers aren't spending more on in-game advertising these days, it's probably because they're holding back, anticipating a metric that will track and measure game usage much the way radio and TV reach-and-frequency is measured, analysts say.

But the next-generation game consoles – with their complex technologies – are playing havoc with efforts by Nielsen Interactive Entertainment (NIE) to devise such a measurement. (Nielsen Entertainment is owned by VNU, the parent company of The Hollywood Reporter.) Exactly a year ago, Nielsen said that, by the second half of 2005, it would be supplying PC and console developers with “tags” that could be built into game software to be used by Nielsen to measure all sorts of in-game activity, especially response to advertising. This includes how people navigate through games, what levels they reach and how long they spend on each level.

However, the “inaudible audio codes” of the tags proved to be incompatible with the inner workings of the games being designed for the next-gen consoles – Microsoft's Xbox 360, Sony's PlayStation 3 (PS3), and Nintendo's Revolution. And now, says, general manager Michael Dowling, NIE is pursuing an alternative technology based on API (Application Program Interface) calls.

But whether that technology will work with all the new consoles is still an open question. While Microsoft released its new console in November, Sony and Nintendo still have not announced when they will release theirs. It's widely accepted that U.S. shelves will be stocked with Sony PS3s by this spring, but some industry analysts aren't so sure.

“Spring is right around the corner and we haven't seen a final box or running demo yet,” says Paul Jackson, principal analyst at Forrester Research B.V. in Amsterdam. “Sony's decision to use the Cell processor and Blu-ray discs – brave as it is – is going to cause Sony a lot of difficulties in terms of producing a box for a reasonable price and getting a sufficient number of boxes ready this year.”

As a result, Jackson doesn't foresee a PS3 launch outside of Japan until autumn 2006 at the earliest.

“Sony may pull something out of the bag and surprise us all, but I think it's fairly unlikely that we'll see the PS3 in the States until Thanksgiving, one year behind Microsoft's Thanksgiving 2005 Xbox 360 release,” he adds.

Because the Nielsen project is so dependent on the launch of the PS3, Dowling predicts the Nielsen system won't be up and running before the second or third quarter of 2007, which will certainly delay advertisers' decisions to invest in gaming advertising, he adds.

“This is such a new market for advertisers that only some are willing to test the waters before knowing what they're getting for their money,” he explains. “They see the value of video game advertising in that this is a highly sought-after demographic and difficult to reach through other media. And they'll base their decisions on some of our data that we're doing in a custom fashion. But, for video game advertising to hit critical mass, we need to have that ongoing metric. That's when we'll see explosive growth, like the 56% compounded annual growth we saw in Internet advertising, which we believe is largely due to the measurability of that medium. We think we're going to see similar types of compounded annual growth for video games once we get measurement.”

At Forrester Research, Paul Jackson agrees that advertisers are waiting for someone to measure the effectiveness of in-game advertising.

“If you talk to companies like Massive Inc. [which serves dynamic advertising onto video games], they will say that they know who is seeing their ads,” Jackson says. “But what many advertisers are waiting for is somebody who's independent to say, yes, that cola ad got 200,000 impressions within the game ‘Splinter Cell’ last week, for example. Absolutely nobody is publishing what could be classified as extensive data on that as of yet.”

Jackson's research underscores the fact that video games are an ideal medium for reaching the elusive young male demographic, he says. In his paper published in September, Jackson reports that, of the 12-17-year-old online consumers in the U.S. and Canada, 94% own some sort of gaming device, with home PCs – at 85% – ranking as the number one playing technology.

Meanwhile, he says, a majority of young online males (55%) would rather play games than watch TV. And most of them – almost 60% – would accept more product placement and advertising in games if it does not interfere with the game or if it reduces a game's price.

“Not only is this demographic predisposed to picking games over, say, music or radio or TV, but the level of engagement is higher than in passive listening to radio or TV,” he explains. “If you're in the middle of playing ‘Halo 2,’ for instance, there's no way you can get up and walk away as you might if a commercial came on TV. Video games engage you.”

Jackson believes that the fledgling in-game advertising field – especially where dynamic ads are served into an online game much the way commercial time is purchased on radio or TV – has a lot of potential.

“It used to be that an advertiser needed to contact the publisher 18 months before a game's release so that their product could be built into the game,” he says. “There was no way to update it because, once the game was shipped, you were stuck with it. If you decided to change your product or not to market it, it was a bit too late.”

While Nielsen works on its efforts to measure gameplay, Jackson advises that there's no need to wait before sticking a toe in.

“If you're confident that you know how to do advergaming well, if you believe there's a sufficient audience for your product, if getting some kind of independent metrics of how well the audience received your message isn't important to you, I say go for it,” he notes. “The people who are offering the ads will say that they'll tell you how many people saw it, during what period, how many times the ad was served, and at what time. You are relying on their integrity to provide valid data. I have no reason to suspect they aren't, but just remember that the whole ad industry is built on getting objective metrics.”

At eMarketer, senior analyst Debra Aho Williamson agrees: “Certainly companies like to base their advertising decisions on reliable data, and the more data they have to support those decisions, the better. I'm sure that if Nielsen starts to offer objective metrics, marketers will be very interested in it.”

Without such data, says Williamson in her October study of [“Kids & Teens: Blurring The Line Between Online And Offline.”](#) the challenge for marketers and media firms is that today's young consumers “are just plain hard to pin down. They are immersed in the digital lifestyle and yet sometimes it's like they're using the SparkNotes version of media, dipping in just enough to get what they need and then moving on to something else. Youth marketing is flush with online product placements, sponsored games, and ring tone promotions.”

The challenge, she says, is to determine “what the kids think is cool, which can change at the drop of a hat.”




While ad agencies had expected Nielsen's “tags” to fuel advergaming in 2006, NIE's Dowling says that his company has generated a lot of useful data that can help better assess advergaming opportunities.

“That will be helpful for certain companies that don't feel they need 100% measurability in order to participate,” he says. “But, for video games to be a true media type, it's going to have to be measured eventually, because any medium that's not measured is undervalued. And we've seen that time and time again.”

Courtesy of The Hollywood Reporter

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Paul “The Game Master” Hyman was the editor-in-chief of CMP Media's GamePower. He's covered the games industry for over a dozen years. His columns for The Reporter run exclusively on the Web site.

		<p>RACE FOR ADS: A computer image by gamemaker Activision shows a Jeep embedded in 'Tony Hawk's Underground 2.' Marketers say it's now possible for cars in games to have radios that stream live-audio ads.</p> <p>ACTIVISION/AP/FILE</p>
		

In-game ads link to the real world

By Clayton Collins | Staff writer of The Christian Science Monitor 1/25/06

Even a virtual soldier gets hungry sometimes. That's why one new firm is helping Subway, the sandwich chain, embed advertisements for its \$2.49 daily specials in the video game Counter Strike. The real ads – still in test mode – appear on signs an alert gamer encounters while patrolling a virtual city. And they appear to deliver. The company, Engage In-Game Advertising, surveyed online players recently after they had encountered the ads and recorded 94 percent recall. That's a "phenomenal" result compared with other media, says David Smith, vice president of business development for Engage in San Francisco. Subway's sales numbers also spiked in the test market.

Product placement meant to foster brand affinity has been commonplace in video games for several years. The practice is widely embraced by gamers, who prize realism – a FedEx delivery truck as opposed to a generic one, for example, in a street-racing game. But "this is more," says Mr. Smith. "This is actually immersing traditional advertising, like billboards, into the games." The ads are local-market specific, and can be updated by means of an Internet "patch."

The move is the latest step in marketers' ongoing bid to capitalize on the rising number of PC- and console-based games that include, if not require, an online component. It has some watchdogs worried that more ads will pitch to younger-than-intended gamers.

Though many games are targeted to older teens, members of the age 12-to-17 set are most likely to play, according to one 2004 study. "In-game advertising is here to stay, and will increase as more games and platforms hook up to the Internet," says Jeff Greenfield, executive vice president of 1st Approach, a marketing firm in Dover, N.H. "Gamers love the reality, and brands are excited about reaching their core demographic." It's a willing audience. "This new generation of consumers does not consider its experiences 'authentic' unless advertising is involved," says Mario Almonte, a vice president at Herman Associates, a public relations firm in New York.

Soon, new gamers might not recognize ad-free games.

In fall 2004, two companies, InGamePartners and Massive, began experimenting with enhanced versions of product placement, including multiplayer online games that could be played free if a gamer agreed to view ads.

Then, early last year, Sony Online Entertainment formed an alliance with Pizza Hut centered on the fantasy role-playing game Everquest. A player can type "pizza" to open a browser window and order home delivery.

Today, one in-game advertising insider speaks excitedly about games in which a 3-D city might resemble New York's Times Square, ablaze with ads. Already in the works: in-game ads that replicate broadcast advertising formats. For example, a car in a video game can have a radio that streams live-audio ad messages, says Justin Townsend, chief executive officer of IGA Partners Europe, a leading global player in in-game advertising.

As for in-game television ads: "That's very close on the horizon," says Mr. Townsend. "Our next software release will actually allow us to place TV spots inside games."

Some observers, including Mr. Greenfield, do not yet see clear evidence that in-game ads will cause youths to buy more. Greenfield also maintains that too much ad clutter could actually annoy gamers and even trigger retaliatory hacking. "This is a rebellious group," he says.

Already the Pizza Hut order option has been derided on some websites, says Steve Mounsey, a 20-something gamer who manages a GameStop store in Beverly, Mass. "A lot of people make fun of that."

Still, few marketers are likely to resist the potential gold mine. Big recent studies – including one in November by Mediaedge:cia and another, just last month, by Nielsen Entertainment and game maker Activision – show relevant, well-integrated in-game ads to be remarkably persuasive among 18- to 34-year-old males, a group marketers have found to be elusive of late.

"The consumer is no longer sitting in front of the TV set, and brands have to be more innovative in terms of engaging that consumer," says Claire Rosenzweig, executive director of the Promotion Marketing Association (PMA), a nonprofit research and educational organization. "What you see is an incredible rise in experiential marketing, and 'advergaming' can be included in that branded experience." (Advergaming typically promote a single product or brand.)

The PMA's stand on this avenue for ads: The industry should educate, rather than regulate. "Give people information about what it is they'd be engaging with," says Ms. Rosenzweig, "and let them make informed decisions."

But all of that access to eyeballs, in the hands of a still largely self-policed marketing channel, has more independent watchdogs concerned. In some cases, in-game ads might thrill marketers by providing useful feedback on gamers' personal preferences – vehicle colors, for instance – raising privacy concerns. And parents rattled by the likes of Grand Theft Auto may now wonder what kinds of ads might eventually flow through such games, many of which are played by younger teens, despite a ratings system.

"It's virtually impossible to know what kids are doing," especially as gaming goes mobile on hand-held devices, many with wireless Internet connections, says Susan Linn, cofounder of the coalition Campaign for a Commercial-Free Childhood.

She suggests that parents lobby Congress to get the Federal Trade Commission involved.

"We need to have some laws about marketing to children," says Ms. Linn, as what she calls "interactive advertising" broadens its reach.

IGA's Townsend counters that it is in advertisers' interests to protect their brands from image problems. Clients already can schedule ad campaigns that preclude games that feature alcohol or violence. He adds that opt-out rules apply to in-game ads, and he says firms like his are not seeking to mine for private consumer data.

"If you were to remove any regulations regarding privacy, it would be an advertiser's dream," he allows. "[But] there are regulations in place already that prevent people from working with that data."

Advertising to Be Incorporated Into Virtually All Video Games in the Near Future

Igniting Buzz

NEW YORK—(BUSINESS WIRE)—Jan. 23, 2006—"Due to the soaring costs of developing video games, the tremendous reach of video games, extended exposure to ads when playing video games, and integration with on-line commerce, advergaming will be a common fixture in video games," said David Wanetick, Managing Director of The Wall Street Transcript.

While consumers actively try to block advertising with tools such as spam filters, pop-up blockers, the mute button and digital video recorders, there are sound reasons for consumers' receptivity to advergaming. One reason is that the appearance of corporate logos makes video games appear more realistic. For instance, gamers who drive through virtual towns in which signs for Coca-Cola and Nike appear have a more realistic experience that they would if the signs merely advertised Soda and Shoes. Another driver of advergaming is its tight integration with commerce. For example, some advergaming companies have arranged agreements with pizza chains whereby gamers can simply click on a banner to have their favorite pizza delivered to them without interrupting game play.

Mr. Wanetick said, "Advergaming is clearly on a rapid growth trajectory as it is projected to generate \$4 billion in revenues by the end of 2008.

We are delighted to provide two forums in which advergaming will be discussed by the nation's foremost practitioners."

(Source:

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20060123005676&newsLang=en



GAMING TARGET: Video games

have plenty of space an advertiser could use.

Need For Speed Most Wanted,

the games latest version, pictured,

features advertising.

Advertising hits video games

17 January 2006

When BP Lubricants United States wanted to raise the profile of its high-performance Castrol Syntec motor oil with ever-elusive young male consumers, it followed them into a popular racing video game.

Like its peers, the unit of BP needs to be where males aged 18 to 34 have gone after abandoning traditional media outlets such as magazines and television in droves.

"We have to look for new ways to reach these guys," said Michael DeBiasi, the marketing director who oversaw the campaign.

The Castrol brand's integration into Electronic Arts' Need for Speed Most Wanted game appeared in the form of billboards, Syntec car engine upgrades and signage in garages, and as Castrol-branded Quick Lubes.

Through its website, the brand also provided gamers with a "cheat code" that allowed them to unlock a high-performance Castrol Syntec Ford GT to drive in the game, something DeBiasi said players appreciated.

DeBiasi would not disclose what the company paid for this exposure. "We feel like it was a very effective and efficient buy," he said.

Such advertising has been slow to catch on, even though the \$US10 billion US video-game market now rivals Hollywood box-office sales – and despite a widely held view that the medium offers big opportunities for product placement and branding.

Nielsen Entertainment expects US ad spending in console and PC games for this year to come in at \$US75 million. It is seen growing rapidly through the end of the decade, when the research firm sees it reaching \$US800m to \$US1b.

The arrival of next-generation consoles from Microsoft, Sony and Nintendo, which connect more players to the internet and open the door to more innovative and measurable campaigns, should help drive up advertising activity, video-game companies and their potential sponsors said.

The Entertainment Software Association says the average US video game player is a 30-year-old male. "That's a pretty good sweet spot for an entertainment company like Playboy," Christie Hefner, chief executive of Playboy Enterprises, said at the Reuters Media and Advertising Summit.

The adult media company this year produced its first video game, a "lifestyle simulation" title called Playboy: The Mansion.

Certain games are innately ripe for advertising. For example, virtual billboards can create a sense of authenticity in racing, sports and urban action games.

"Gamers actually welcome it because it adds realism in games," said Sam

Kennedy, editor-in-chief of video-game-enthusiast site 1UP. com.

Some publishers used to pay to show certain cars in racing games – a situation that has now reversed, he added. Electronic Arts, the world's biggest video-game publisher, has ads placed in 11 of its 33 games this year. They include sports titles like NCAA Football 06, FIFA 06 Soccer and SSX On Tour in addition to Need for Speed, said Julie Shumaker, director of sales for online and video-game advertising.

Sniffing opportunity, some big advertising agencies have jumped on the bandwagon.

Starcom MediaVest Group was a pioneer in the market, setting up its Play division about two years ago.

Tribal Gaming, part of Omnicom Group, is a new gaming unit with a half-dozen employees. WPP Group's Young & Rubicam's Bounce Interactive Gaming division also focuses on ads in games. DeBiasi worked with MarketSource IMS.

Still, EA's Shumaker says it's unusual to see an agency involved in a deal. Advertisers tend to hand the work to their ad agencies only after an agreement is reached, she said, adding that she does almost 75 per cent of her deals directly with the client.

"That concerns me," said Shumaker, who thinks the business needs more agency participation to grow rapidly.

Some advertising executives say in-game advertising has a long way to go to rival other mainstream media.

"I think that one will be a little bit slower in developing," Brian McAndrews, chief executive of internet marketing company aQuantive, said at the summit.

"You have to be careful in the game environment as to how intrusive you are."

Meanwhile, the video-game industry is working to deliver the data that companies want to justify spending money on in-game ads.

To that end, Activision and Nielsen Entertainment released their latest study recently, which suggested that video-game ads, when used properly, can increase awareness of a brand as well as positive attitudes toward it.

THQ is the first major video game publisher to support Internet-delivered advertising.



By [Antone Gonalves TechWeb News](#)



Dec 19, 2005 04:13 PM

Videogame maker THQ Inc. on Monday said it has agreed to carry in its games ads delivered over the Internet by Massive Inc., a deal that reflects the industry trend towards building an online advertising model for videogames.

The deal is important because THQ, based in Agoura Hills, Calif., is the first major videogame publisher to agree to start carrying Internet-delivered advertising. The game maker, whose popular titles include "SpongeBob SquarePants" and "World Wrestling Entertainment," did not disclose financial details.

New York-based Massive is building an advertising network of videogame makers who build games for the PC and other Internet-connected devices, such as Microsoft Corp.'s Xbox or Sony's PlayStation. The company, which launched in October 2004, says it has partnerships with 29 publishers, and more than 60 advertisers, including Coca-Cola, NBC, Nokia, Panasonic and Paramount Pictures.

"We are excited to team with Massive because we believe their network strategy and sensitivity to game play will deliver value to publishers, advertisers and gamers," Kelly Flock, executive vice president of worldwide publishing at THQ, said in a statement.

In-game advertising has been gaining momentum among publishers as a way to offset the high cost of development of next-generation games, Anita

Frazier, analyst for The NPD Group, said.

“With development costs escalating, in-game ads offer publishers another way to make money, outside of pure retail sales,” Frazier said.

Videogames offer advertisers the ability to reach mostly males between the ages of 18 and 34, a prime demographic that’s difficult to reach because they tend to watch less TV than other age groups.

“This is an audience that’s very difficult to target, but videogames are a tremendous medium for that audience,” Nicholas Longano, chief marketing officer for Massive, said.

Showing ads in games, however, presents a risk to publishers, who could quickly turn off players. To avoid that, ads are shown only where they can blend into the game environment. As a general rule, action games that take place in modern times, or the future, make good candidates, as well as racing and sports games, Longano said.

“You don’t expect to see advertising in a Middle Earth setting,” Longano said, referring to the world created in the “Lord of the Rings” fantasy books. “It wouldn’t make any sense.”

Pricing for advertising varies according to the size, angle at which it is shown and the amount of time it’s on the screen. Ads are usually sold in 10- or 15-second time slots, and can change continuously, according to the dynamics of the game. A Coca-Cola ad, for example, could be on a billboard in one scene and on a Coke bottle in another.

Full motion video ads can also run where it makes sense, Longano said. An example would be in a game that recreates Times Square in New York.

Under the multi-year deal, THQ is expected to start carrying Internet ads in about 10 percent of its games, increasing the pool over time, Longano said.

Monday, December 19, 2005

Targeted Ads Coming to Games, Mobile TV

Fine-tuned ad technologies are expected to advance in 2006.

By Associated Press

BOSTON (AP) – MobiTV Inc. built its business by sending TV broadcasts to cell phones. People willing to stare at the small screen for extended periods can tune in channels such as ESPN and MSNBC.

But MobiTV recently began doing more than just relaying the signals. Now the company removes some ads that appear on TV broadcasts and replaces them with ones geared for wireless viewers.

Here's the logic: Consumers willing to pay for TV on a cell phone tend to be more affluent, urban and tech-savvy than the average viewer. So why should they get the same ads as the average viewer?

Waning are the days of blasting a commercial to a vast network audience and hoping someone out there responds.

Technologies will emerge in multiple realms in 2006 and beyond – from video games to cable TV to podcasts – that will give advertisers intriguing abilities to pinpoint designated segments of the public with specific messages.

"We're now entering a new age where the advertising doesn't have to be intrusive, irrelevant, bombastic – shotgunned advertisements in which we make everyone learn about dog food even if they don't have a dog," said Paul Woidke, vice president of technology for the ad division at cable giant Comcast Corp.

Such fine-grained marketing has long been predicted for the digital age because of the demographic and behavioral tracking it enables.

Perhaps the idea's ultimate extension appeared in the 2002 sci-fi movie "Minority Report," when the main character, running for his life, is spotted by a billboard that proclaims, "John Anderton, you could use a Guinness about now!"

Putting the concept into practice on the Internet has been bumpy. Many Web surfers recoil at "adware" – or more derisively, "spyware" – software that monitors their clicks to serve up ads presumed to matter to them.

That's not to say the idea is dead – Claria Corp., formerly known as Gator Corp., has resurrected its business of delivering personally targeted Web ads now that it is moving away from doing it with pop-up windows.

But the real innovation in targeted ads these days seems to be occurring in other media platforms.

Consider the service that Massive Inc. launched in 2005 to feed ads to video games.

It was possible beforehand to put ads in video games, such as on the billboards that would appear around the track in auto-racing games. But those had to be programmed into the game, often a year before the title's release.

By working with game programmers, Massive built a system that can feed ads in real time to games played on the Web or networked console services like Xbox Live. Now those ads around the track on auto-racing games can change depending on when and where the game is being played.

Movies opening in limited release in European cities have been pitched to game players only in those areas. The WB Network placed ads in games during prime-time hours in the days before launching a new show.

Massive's ads appear in context so as to minimize annoying

players. So while a street-fighting game might show a Pepsi truck driving by, there tends not to be any product placement in fantasy titles that draw gamers seeking escapism.

But the next step is a bit trickier. Massive is exploring ways that ads can be directed to certain players, depending on demographic criteria. That would require players' permission and willingness to proactively register their interests – beyond, of course, what their choice of video game says about them.

Advertising enters storylines; meet Nokia in video games

	<input type="checkbox"/>
	<input type="checkbox"/>

Luxury brands TAG Heuer, Bang & Olufsen, and Lacoste are targeting a group of people you wouldn't expect: 18- to 34-year-olds who spend hours playing video games. A study released recently concludes that people who view advertisements in video games have better brand recall, and in some cases are more likely to favorably change their opinion about a brand, than consumers who view television product placements.

"It took a lot of convincing to persuade Bang & Olufsen that gamers are the same people who go into their stores and like playing on the plasma screens they sell," said Arden Doss, managing director of Propaganda GEM, an entertainment marketing firm in Los Angeles.

"Everyone – even luxury goods clients – realizes that the twentysomething male is off playing video games, not watching TV."

Once considered the sole territory of awkward teenagers, video games have lured an estimated 20 million young males, and with them a rapidly growing number of advertisers.

As the highly coveted group of 18- to 34-year olds spends more time with Xboxes and PlayStations than watching prime-time television, in-game advertising is expected to grow eight times to \$562 million in 2009, making the nascent industry one of the fastest-growing marketing segments, said Michael Goodman, a video game analyst at Yankee Group in Boston.

Already, video game publishers have waiting lists of companies angling to promote video ads and get product placements, including in Anarchy Online, a game that takes place 30,000 years in the future and whose free version attracts 2,000 new users around the world every day.

Next year, cellphone maker Nokia is doubling to 10 the number of games in which it will advertise, and the world's largest independent game maker, Electronic Arts, which had one game with ads in 2002, will have product placements in at least half of the 30 titles it releases next year.

Part of the reason is that video game advertising has evolved beyond a billboard ad on a screen.

Now, companies can feature dynamic commercials and intertwine their brands into the story lines of games, such as a murder victim who was about to sign a contract with fashion designer Lacoste in the "Law & Order: Justice is Served" game.

Meanwhile, Bang & Olufsen will showcase its high-end electronics stores along with Swiss watchmaker TAG Heuer in Tycoon City: New York, an Atari game due early next year. "Advertisers have built their business on finding ways to interrupt consumers, and that is fundamentally in conflict with how you effectively advertise in gaming," explained Julie Shumaker, director of sales for Electronic Arts. "We have to think about how it flows with the game experience."

The growing popularity is transforming the video game landscape and making some games longer and allowing publishers to offer free versions of their games that are totally supported by advertisements. Just a few years ago, video game publishers were paying car companies like Corvette to use their brands in games. Now, the tables have turned, and brands such as Jeep are paying to be in Activision's "American Wasteland" out this holiday season.

Costs for advertising in video games have grown exponentially. They can range from \$5,000 to \$500,000, prices that rival spots in small films, according to some agencies.

For advertisers, it's worth it: The average gamer playing, for example, Anarchy Online is 29, male, college-educated, and spends more than 20 hours a week playing video games.

Meanwhile, prime-time TV viewership for young men declined nearly 8 percent in 2003, according to Nielsen Entertainment. The 18-to-34 male age group is an important demographic for marketers looking to build brand loyalty and grab consumers who have disposable income.

The study indicates that video games can persuade like no other media, said Michael Dowling, general manager of Nielsen Interactive Entertainment, a market research firm that conducted the study with video game publisher Activision.

For example, people who viewed Cingular ads in a car racing video game were 1.5 times more likely to recommend the phone company brand to a friend and two times more likely to rate it very strongly, compared to a control group that saw the video game without the ad.

On the other hand, people who viewed product placements for Applebee's in a "Seinfeld" TV episode were no more likely to recommend the restaurant chain or rate it strongly when compared to a control group that saw the show without the ad. "If games are supposed to be immersive, sometimes ads can work and add a sense of realism," said Elliot Targum, a 28-year-old teacher in Cambridge who spends about five hours a week playing video games. Although few game publishers have introduced advertising into children's titles, some consumer groups say it's only a matter of time.

–Jenn Abelson / NY TIMES

Advertisers explore virtual video game frontier

Fri Dec 9, 2005 2:36 PM ET



By Lisa Baertlein

LOS ANGELES (Reuters) – When BP Lubricants USA wanted to raise the profile of its high-performance Castrol Syntec motor oil with ever-elusive young male consumers, it followed them into a popular racing video game.

Like its peers, the unit of BP Plc (BP.L: [Quote](#), [Profile](#), [Research](#)) needs to be where males aged 18 to 34 have gone after leaving traditional media outlets like magazines and television in droves.

“We have to look for new ways to reach these guys,” said Michael DeBiasi, the marketing director who oversaw the campaign.

The Castrol brand’s integration into Electronic Arts Inc.’s (ERTS.0: [Quote](#), [Profile](#), [Research](#)) “Need for Speed Most Wanted” game appeared in the form of billboards, Syntec car engine upgrades and signage in garages, and as Castrol-branded Quick Lubes.

Through its Web site, the brand also provided gamers with a “cheat code” that allowed them to unlock a high-performance Castrol Syntec Ford GT to drive in the game, something DeBiasi said players appreciated.

DeBiasi would not disclose what the company paid for this exposure. “We feel like it was a very effective and efficient buy,” he said.

Such advertising has been slow to catch on, even though the \$10 billion U.S. video game market now rivals Hollywood box office sales – and despite a widely held view that the medium offers big opportunities for product placement and branding.

Nielsen Entertainment expects U.S. ad spending in console and PC games for this year to come in at \$75 million. It is seen growing rapidly through the end of the decade, when the research firm sees it reaching

\$800 million to \$1 billion.

The arrival of next-generation consoles from Microsoft Corp. (MSFT.O: [Quote](#), [Profile](#), [Research](#)), Sony Corp. (6758.T: [Quote](#), [Profile](#), [Research](#)) and Nintendo Co. Ltd. (7974.OS: [Quote](#), [Profile](#), [Research](#)), which connect more players to the Internet and open the door to more innovative and measurable campaigns, should help drive up advertising activity, video game companies and their potential sponsors said.

FOUND: THE 30-YEAR-OLD MALE

The Entertainment Software Association says the average U.S. video game player is a 30-year-old male.

“That’s a pretty good sweet spot for an entertainment company like Playboy,” Christie Hefner, chief executive of Playboy Enterprises Inc. (PLA.N: [Quote](#), [Profile](#), [Research](#)) said at the recent Reuters Media and Advertising Summit.

The adult media company this year produced its first video game, a “lifestyle simulation” title called “Playboy: The Mansion.”

Certain games are innately ripe for advertising. For example, virtual billboards can create a sense of authenticity in racing, sports and urban action games.

“Gamers actually welcome it because it adds realism in games,” said Sam Kennedy, editor-in-chief of video game enthusiast site 1UP.com.

Some publishers used to pay to show certain cars in racing games – a situation that has now reversed, he added.

Electronic Arts, the world’s biggest video game publisher, has ads placed in 11 of its 33 games this year. They include sports titles like “NCAA Football 06,” “FIFA 06 Soccer” and “SSX On Tour” in addition to “Need for Speed,” said Julie Shumaker, director of sales for online and video game advertising.

Sniffing opportunity, some big advertising agencies have jumped on the bandwagon.

Starcom MediaVest Group was a pioneer in the market, setting up its Play division about two years ago.

Tribal Gaming, part of Omnicom Group Inc. (OMC.N: [Quote](#), [Profile](#), [Research](#)), is a new gaming unit with a half-dozen employees. WPP Group's (WPP.L: [Quote](#), [Profile](#), [Research](#)) Young & Rubicam's Bounce Interactive Gaming also focuses on ads in games. DeBiasi worked with MarketSource IMS.

Still, EA's Shumaker says it's unusual to see an agency involved in a deal. Advertisers tend to hand the work to their ad agencies only after an agreement is reached, she said, adding that she does almost 75 percent of her deals directly with the client.

"That concerns me," said Shumaker, who thinks the business needs agency more participation to grow rapidly.

Some advertising executives say in-game advertising has a long way to go to rival other mainstream media.

"I think that one will be a little bit slower in developing," Brian McAndrews, chief executive of Internet marketing company aQuantive Inc. (AQNT.O: [Quote](#), [Profile](#), [Research](#)), said at the Reuters summit. "You have to be careful in the game environment as to how intrusive you are."

Meanwhile, the video game industry is working to deliver the data that companies want to justify spending money on in-game ads.

To that end, Activision Inc. (ATVI.O: [Quote](#), [Profile](#), [Research](#)) and Nielsen Entertainment this week released their latest study, which suggested that video game ads, when used properly, can increase awareness of a brand as well as positive attitudes toward it.

(Additional reporting by Michele Gershberg in New York)

Advertising: Videogame Makers Try to Score More Ad Dollars With Research

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Study Finds Many Gamers Don't Mind Product Plugs; A Pitch to Madison Avenue

By Nick Wingfield

5 December 2005 The Wall Street Journal

THE VIDEOGAMES INDUSTRY, on the cusp of technological changes that could make game audiences far more measurable, is taking more steps to tap a potentially lucrative new source of revenue: advertising dollars.

Today, VNU NV's Nielsen Entertainment plans to release the results of a study funded by Activision Inc., one of largest games publishers, that is the most exhaustive effort yet to investigate the effectiveness of advertising within games. Rather than traditional 30- or 60-second TV-style commercials, advertising in videogames often takes the form of product placements that appear blended into the action on the screen.

A key finding of the research: A majority of gamers in the study found relevant advertising enhances the realism of games, a relief for publishers who worried that players would get annoyed by frequent product promotions. "This is building a stronger case for valuing the medium," says Michael Dowling, senior vice president at Nielsen Entertainment.

Better research on ads in games could help further pique Madison Avenue's interest in the medium, just as new game consoles like Microsoft Corp.'s hot-selling Xbox 360 are expected to greatly expand online gaming, a technological shift that will give advertisers greater power to figure out how frequently and what types of gamers see their promotions when they, say, hop on a virtual motorcycle and jump through hoops sponsored by a candy-bar maker. Internet-connected consoles could also increase interest in delivering fresh ads over the Internet.

The Nielsen study is part of an effort by the media-research firm and Activision to lay the groundwork for more-serious advertising in a medium that had \$25.4 billion in world-wide sales last year, according to PricewaterhouseCoopers LLP. In a study last year, Nielsen found videogame playing is eroding television viewership among men 18 to 34 years old, results that have been echoed in other research of media consumption.

While Activision has funded Nielsen's games research, Nielsen says results aren't influenced by the publisher.

Nielsen's most recent study followed 1,350 active male gamers ages 13 to 44 as they played various games, including an Electronic Arts Inc. racing game in which players pass billboards and receive instructions through message windows sponsored by Cingular Wireless, the cellphone provider owned by AT&T Inc. and BellSouth Corp. The study found 69% of participants recalled seeing the Cingular ads.

While most game publishers are already experimenting with promotions within their games, executives say ad revenue is minuscule. Executives say advertisers currently can pay several hundred thousand dollars to have their brands appear in games, though deals are often struck in a willy-nilly fashion. Games publishers would clearly like to get more money for serving up a prized, highly attentive demographic.

Bobby Kotick, Activision's CEO, says the company hopes to use data from the Nielsen study to develop a "rate card" for game advertising – a more systematic approach to charging for various levels of promotions in games, including everything from the billboards that users zip by on virtual ski slopes to branded vehicles they hop into on the lam from the police.

Mr. Kotick says new game consoles – including Xbox 360 and Sony Corp.'s PlayStation 3 due out next spring – will also help build the foundation for more advertising in games because they are expected to be much more widely connected to the Internet than current consoles like the original Xbox and PlayStation 2. "You have ability to track millions of interactions" with advertisements, Mr. Kotick says.

Microsoft has quietly formed a team focused on exploiting the advertising capabilities of Xbox 360. The company has made it much easier for Xbox 360 users to get connected to the Internet and expects more than half of gamers on that console to be online, compared with 10% to 15% of original Xbox users who are online.

Being connected to the Internet "takes advertising in the gaming environment to a whole different level," says Aaron Greenberg, group

marketing manager for Xbox Live at Microsoft.

People familiar with the matter say Sony is also looking more seriously at advertising in games as well. A Sony spokesman didn't respond to a request for comment.

Consoles connected to the Internet can also receive fresh ads regularly delivered to them in games, as is becoming commoner in games played on personal computers. It is already starting to happen: Since September, players of a combat game from French publisher Ubisoft Entertainment SA called Rainbow Six Lockdown have seen ads piped into the game over the Internet on the original Xbox through a game advertising company called Massive Inc.

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Overload Of Game Ads Could Defeat Purpose

Wed Nov 30, 7:10 PM ET

A new report released by Mediaedge:cia analyzing in-game advertising cautions against marketers potentially flooding the gaming universe with ads, as it also throws some cold water on a few of the more exuberant spending predictions for the industry.

Expectations for the burgeoning in-game ad space have risen precipitously over the past year, particularly as companies like Massive Inc. have launched networks that offer the capability of serving live ads within games played with an Internet connection.

The Yankee Group forecasts that in-game advertising will reach \$800 million in spending by 2009, while Massive CEO Mitch Davis claims that ad revenue will skyrocket to \$2.5 billion by 2010.

However, MEC's report, "Playing with Brands: Engaging Consumers with In-Game Communications," which praises the effectiveness of well-executed

ads, warns against marketers forcing messaging into games. It is based primarily on commentary from gamers, some of whom cited those well-executed ads. According to the report, “using games simply to ‘reach’ or interrupt people cannot be regarded as an effective use of a channel with such potential.”

Instead, the ads need to “enhance a game’s alternate reality,” said the report, with the best actually making the game better. This means creating highly customized ads for individual games, which makes it tough to execute an ad buy on a massive scale—and for the ad medium to grow quickly. “Taking an ad formula and applying it across categories and brands that’s not the way to go,” said Fran Kennish, director of strategic planning at MEC, who added that some in-game ad spending estimates may be overstated. “You may end up doing more harm than good.”

STUDY PROBES ATTITUDES TOWARDS IN-GAME ADS

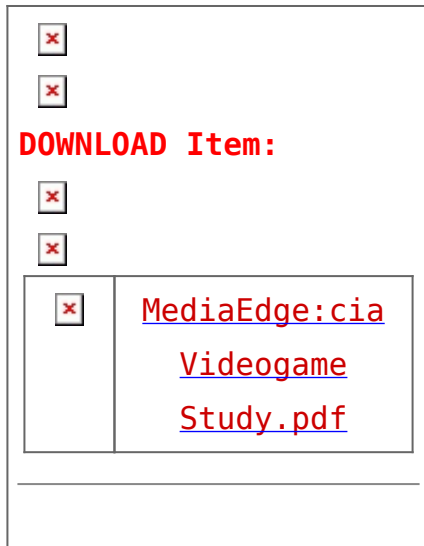
Hard-Core Players Tolerant for Appropriate Placements

November 28, 2005

By [Kris Oser](#)

NEW YORK (AdAge.com) – With video games becoming mainstream ad vehicles and marketers expected to spend \$185.6 million on ads in games in 2005, figuring out what kind of ads gamers will accept is becoming crucial.





Authenticity seems to be the watchword for gamers the world over, according to a new study by Mediaedge:cia. In the U.S. alone, 150 million people play video, electronic or online games.

On average, U.S. gamers play between three to four hours over a week, and heavy gamers devote 11 hour. The hours spent on gaming demonstrate how passionate gamers are about this pursuit, but that doesn't mean they are averse to ads.

"We were pleasantly surprised by the acceptance of advertising if it's done in the right, subtle way and helps to increase the gaming experience," said Fran Kennish, director-strategic planning for MediaEdge:cia.

Game enhancers

In fact, gamers say that advertisements even enhance the game experience when they help to create the alternate reality.

Advertising placements that mimic real-world ads, such as billboards in sports or racing games, are accepted by gamers because they are perceived to add to the reality of the game, according to the study.

"I've played many baseball games and have been a little upset every time Fenway Park is played; there is usually no Citgo sign. That Citgo sign has practically become synonymous with Fenway Park and the Boston Red Sox," said one unnamed respondent quoted in the study.

Heavy gamers have the most positive experiences with advertising. Male

gamers in particular claim ads make the game more realistic, especially if they help the player reach a certain objective.

“In ‘Metal Gear Solid 2,’ when you opened up the enemy’s lockers, you could see *FHM* posters inside [featuring] beautiful girls in swimsuits,” said a respondent, talking about ads enhancing reality.

Delicate balance

But, the study cautions, “There is a delicate balance between enhancing realism and obstructing escapism.” In theory, all games are possible venues for placements, though sports and racing games lend themselves to the medium better. It is nearly impossible to place a modern brand in a sword-and-sorcery epic or a futuristic sci-fi game. “I’d hate to be playing some shooter set in 2275 and see an ad for a 2004 Jeep Cherokee,” said a respondent.

Another respondent pointed out that if the main character in, say, “Grand Theft Auto” remarks that he’d “‘never go out and kill someone without my Red Bull energy drink.’ That could ruin a game because it disrupts game flow.”

The bottom line? “If it’s subtle and fits in, it’s perfect,” Ms. Kennish said. “Anything else would not fly.”

The study was conducted through surveys on blogs and polled more than 250 gamers in nine countries

Advertisements to invade online games



MAY WONG



Associated Press November 7, 2005



SAN JOSE, Calif. — Here you are, one of the millions of Americans who like to play casual games on the Internet, ready to log on for some fun.

So you go to a gaming Web site and try to ignore the ads on the page. Then you wait as the game loads and a 10-second advertisement covers your computer screen.

Ah, the start button.

Now you can play, but don't expect the virtual escape to guarantee relief from marketers' attempts to get in front of your eyes.

On Monday, online game provider Shockwave.com will begin offering advertisers a way to insert ads within the games themselves. While it's believed to be the first such invasion in Web-based games, it's only one of a growing number of venues advertisers are using to reach its shifting and fleeting audiences.

The traditional pillars of advertising in print and television media have eroded in recent years as people — especially the elusive demographic of young men — have instead spent more time on video games and on the Internet.

Hence, the ad creep, whether loudly from the walls of sports fields, subtly from the strategic product placements within films, or annoyingly from the pop-up ads all over the Internet. There's no respite even when people use their TiVo digital video recorders to skip TV commercials: earlier this year, banner-like ads started appearing during the fast forwarding process.

Ads are also showing up in console video games.

It was only a matter of time then that in-game advertisements would arrive in the world of casual Web-based games. The often addictive genre of action, puzzle, and card games attracted nearly 56 million unique visitors in September, according to comScore Media Metrix research firm. Already, advertising revenue from online games, including the more hard-core multiplayer games, is projected to grow to \$1.1 billion by 2008, up from between \$450 million and \$550 million last year, according to the Yankee Group research firm.

Shockwave.com, a division of San Francisco-based AtomShockwave Corp., wants to capitalize on the growing migration of advertising dollars to the Internet.

"There's such a huge demand right now from brand advertisers," said Dave Williams, chief marketing officer of AtomShockwave. "And this is a huge audience, and an engaged audience."

Shockwave.com hosts more than 200 games and claims its 20 million visitors to the site last month played more than 25 million game sessions.

The advertising network to be launched Monday will allow marketers to insert their images or brand names right inside the games. They'll be able to track the "impressions" or viewing times each ad gets — a key advertising metric — as well as tailor their ads to geographic markets.

SBC Communications Inc., Sprint Nextel Corp. and Sony Pictures are among the first companies planning to use Shockwave.com's new advertising feature.

Shockwave.com plans to start ad insertions with action games, where the landscape, say of a racing game, or sport, lends itself to billboard-like advertisements.

For instance, in the game called "SWITCH Wakeboarding," players will soon see bright yellow Sprint Nextel ads interspersed on ramps as they buzz around the lake doing tricks.

In the game, which usually lasts about 15 minutes, a player might see ads as many as 25 times, Williams said.

Ad images will generally last from three to seven seconds in action games, and perhaps longer in other games where an ad can be displayed, say, on a hood of car, instead of a passing object, Williams said.

Shockwave.com plans to later introduce ads in mind and puzzle games, too, but only if they could somehow be incorporated into the design without interfering with the game play.

Players should never see an ad that will pop up and block their views as they're maneuvering their marbles, tiles, or jewels in a puzzle game, Williams said.

"Consumers are not screaming for more ads," he said, "And we want to make sure that as we roll this out, that the places where you'll see the ads will be where you would expect to see them in the real world as well."

Game Consumers 'Tune Into' Video Ads

By Colin Campbell 10/17/2005

Online advertising outfit Eyeblaster has published a joint survey with casual games portal WildTangent showing that online gamers are happy to watch video ads in exchange for free gaming sessions.

ImageOnline content providers are increasingly turning to a TV-style model of video advertising embedded with programming. Games content sites often 'make' consumers watch an ad before accessing requested video or interactive content.

In the survey, 78% of respondents agreed with the statement 'I would watch a short video ad in exchange for free game plays', jumping to 90% among young adult males.

Gal Trifon, Eyeblaster's president and CEO said, "The scope of this survey leaves little doubt about the conclusion that video ads are the perfect match for advertisers who want to target the gaming audience.

"A very strong validation of this advertising model is demonstrated by the fact that more than 97 percent of the hard to reach category of males 18-34 surveyed would return to WildTangent to play free games after viewing an ad. Pre-roll video is an extremely effective means of reaching these consumers, who are overwhelmingly utilizing broadband connections and are among the savviest of all users on the web today."

In-Game Advertising: Fastest Growing Advertising Segment Proven to be Effective by New Double Fusion and Nielsen Interactive Entertainment Study

Monday October 3, 8:00 am ET

□ All In-Game Ad Formats Substantially Drive Awareness and Recall; 3-D Advertising the Most Effective

NEW YORK and JERUSALEM, Israel, October 3 /PRNewswire/ – Double Fusion, a leading provider of in-game advertising services, has released findings of a Nielsen Interactive Entertainment study indicating that advertising in video games has a significant influence on purchase decisions and brand recall. The study 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. Additionally positive perceptions of brand attributes for the product such as being “easy to use” and “time saving” all showed consistent increases.

The study looked at a variety of advertising insertions within the downloadable version of London Taxi, a PC game published by Metro3D. The objective of the study was to assess the brand impact of advertising within the recently released game environment, and to compare the efficacy of the different types of advertising formats supported by Double Fusion’s in-game ad serving technology.

Together, Double Fusion and Nielsen Interactive Entertainment conducted a pre- and post-exposure study exploring changes in ad awareness, recall and purchase intent for a Procter & Gamble product called Flash Car Wash, a new cleaning product distributed in the United Kingdom. As part of the study, Nielsen also looked at user attitudes towards the presence of real advertising within the game.

“The study provides continued evidence that in-game advertising is a medium which brand managers across categories should be exploring, particularly if they want to reach the highly valuable 18-34 year old male audience,” said Henry

Piney, managing director Europe, Nielsen Interactive Entertainment. "What we learned is that even for new brands, the impact that in-game advertising can have is significant. The study also shows that, by using video games' unique attributes and offering insertions through which players can interact with brands, the advertiser can gain even greater value."

"Video games are the fastest growing consumable entertainment medium on the market," said Guy Bendov, co-founder and executive vice president for business development, Double Fusion. "More and more 18-34 year olds are spending both time and money on gaming, and reaching this highly desirable audience is of the utmost importance for advertisers and marketers. Double Fusion is the only company in the market that offers the 3-D insertion capability so it is very encouraging to find that this tool resonates with consumers."

Other key findings include:

- Brand Perceptions – Positive perceptions of brand attributes for the product such as being "easy to use," "time saving," "convenient" and "more effective than traditional methods" all showed small but consistent increases.

- General Perception of In-Game Advertising – General perceptions of in-game advertising are relatively positive: in the pre-survey (among 900 respondents) 50 percent of respondents agreed that in-game advertising makes a game more realistic while only 21 percent disagree. Likewise 54 percent agreed the in-game advertising 'catches your attention,' while only 17 percent disagreed.

Study: Gamers Responsive to Ads

October 03, 2005

By Mike Shields

http://www.mediaweek.com/mw/news/interactive/article_display.jsp?vnu_content_id=100121992

Gamers in London have proven quite responsive to in-game advertisements, according to new research released by Nielsen Interactive Entertainment.

The new Nielsen study was conducted in conjunction with Double Fusion, an Israeli-based firm that is one of a handful of company's promising to enter the burgeoning in-game advertising market in the U.S. Via both a pre- and post-exposure study, Double Fusion attempted to gauge the responsiveness of folks playing the online game London Taxi to an ad campaign from Procter & Gamble for a new cleansing product, Flash Car Wash.

According to the study, awareness of the Flash campaign increased by a hefty 60 percent following the brand's in-game effort. Meanwhile, metrics such as brand favorability and purchase intent exhibited positive, yet more modest gains—perhaps indicative of the limited nature of messaging for in-game ads.

The study also pitted two forms of in-game ad platforms against each other: static billboard ads versus 3-D animated ads. Not surprisingly, 3-D ads, which Double Fusion is touting as its competitive advantage over other vendors, yielded twice the recall scores of static banner placements.

Besides awareness of this particular campaign, Nielsen looked at consumers' attitudes towards in-game advertising as a whole, and generally, gamers appeared to be accepting. For example, in the 900 person pre-survey, 50 percent of respondents agreed that in-game advertising makes a game more realistic, while just 21 percent disagreed.

“The study provides continued evidence that in-game advertising is a medium which brand managers across categories should be exploring, particularly if they want to reach the highly valuable 18-34 year old male audience,” said Henry

Piney, Nielsen Interactive Entertainment's managing director in Europe.

"What we learned is that even for new brands, the impact that in-game advertising can have is significant. The study also shows that, by using video games' unique attributes and offering insertions through which players can interact with brands, the advertiser can gain even greater value."

Double Fusion promises to replicate this test in the U.S., where the in-game advertising market is expected to swell considerably over the next five years. While interest among marketers has surged of late, given the huge video game usage numbers among young males and the emergence of live in-game ad placements from companies like Massive, research on the medium's effectiveness has been hard to come by.

Nielsen did announce plans late last year that it would begin measuring both video game usage and in-game advertising on the Massive network.

Study: Most Kids Play Video Games Daily; Web Ads Gaining Importance Internet marketing is growing in importance as more kids use the PC not only to play games but also to get new info on new titles

Remember when you were a kid? Life was pretty simple, wasn't it? You went to school, came home, maybe had a quick snack and then rushed outside to play with your buddies. Some of you probably owned early video game systems such as Atari or Intellivision, but in most cases you didn't play video games everyday. Times certainly have changed since then.

Playing lots of games, PC games

According to a recent study from Netherlands-based marketing agency JuniorSeniorResearch, video games have become a central part of the lives of today's children. The study polled 4,000

kids up to the age of 15-years-old (both boys and girls) and discovered that 61 percent play video games on a daily basis.

Interestingly, with all the focus on consoles and handhelds in this industry, the study found that a large majority (65 percent) of children prefer playing games on the PC. Also, only a small percentage (12 percent) admitted to copying their games from friends, despite the fact that PC titles are much easier to duplicate than console games.

Rather than copying games, more kids (39 percent) said that they were willing to save their money in order to purchase new titles for themselves. Most of these were older children (ages 13 to 15) but surprisingly, even some 9-year-olds (or younger) said they save money to buy their own games.

Marketing to kids

Although much of the industry concentrates its marketing on the coveted 18 to 35 male demographic, this study also shed some light on some advertising trends for the younger crowd. Among children, advertising doesn't appear to be as important as word of mouth. The study found that 32 percent of children learned about new games through their friends. Younger children tended to get more information from friends and family members than from advertising.

That being said, ads still play an important role with children. Practically every child (92 percent) has seen an ad for a game, with television being the predominant format at 63 percent. The Internet, however, is seen as a growing medium for advertising to children. More than 15 percent of children said they view video game ads on the Internet, while only 11 percent said they see them in print media. Furthermore, children tend to look for more information on the games they become interested in, and the Internet is obviously a great source for further information on games.

“Although children prove a difficult to reach target group

through their fragmented media use, game developers can count on 'digikids' actively searching out their information and products," stated JuniorSeniorResearch.

"It is wise however for marketers – who specialize in kids marketing – to keep considering Internet as a viable and positive medium... Internet reaches both a very young audience and 'hardcore' gamers or digikids alike," the marketing firm continued.



ADAGE.COM'S ADVERGAME CHRONICLES

Tracking the Rise of a New Marketing Venue

August 16, 2005

<http://www.adage.com/news.cms?newsId=42220>

NEW YORK (AdAge.com) – Digital games have reached critical mass as a new mainstream entertainment and advertising medium. Among other things, total sales in 2004 of digital game items in the U.S. exceeded that of Hollywood's national movie box office receipts. Below, we chronologically look back at our major stories about this market-changing genre of interactive entertainment that continues to emerge as an important new marketing venue.

GRAND THEFT' FLAP COULD HURT ADVERGAMING BUSINESS

Some Worry Controversy May Scare New Industry's Potential Advertisers

July 25, 2005 By [Kris Oser](#)

NEW YORK (Adage.com) – The furor over the “adults only” rating slapped on “Grand Theft Auto: San Andreas” could scare off advertisers that were eyeing the \$11.5 billion video-game industry as one of the major emerging advertising media.



While ‘Grand Theft’ doesn’t contain any advertising, the controversy it has created with its hidden sex scenes could hinder the recruitment of in-game advertisers for other titles.

Following revelations that sex scenes were buried in PlayStation 2 versions of the game published by Take-Two Interactive Software, the Entertainment Software Ratings Board upped the Theft rating to “Adults Only 18+.” That prompted retailers including Wal-Mart, Circuit City, Best Buy and Target to remove the game from their shelves and members of the Entertainment Merchants Association to stop selling it.

Even though “Theft,” the top-selling game on the market, contains no ads, the worst damage may be to the nascent \$180 million field of “advergaming.”

Looking to reach ‘lost boys’

The controversy threatens to scare off marketers that have just started exploring, and spending small slices of budgets

on ads in games in a bid to reach the “lost boys” – men 18 to 34 who are abandoning TV for Xbox and PlayStation. While advergaming spending is currently small, Yankee Group estimates it will hit \$800 million by 2009.

“The advertisers who were thinking about marketing in games and looking for all the reasons to go into the medium will be much more cautious,” said Cory Treffiletti, senior vice president and managing director for Carat Interactive, San Francisco.

“Advertisers will want more guarantees,” said Mike Vorhaus, managing director of Frank Magid & Associates. But he doesn’t think they will bail out of advergaming: “If you want to reach this demographic, you’ve got to go to video games, MTV and ESPN.”

Marketers who have placed ads in games include Cingular Wireless and Burger King, in Electronic Arts’ “Need for Speed Underground 2”; Procter & Gamble Co.’s Old Spice, in EA’s “NCAA Football 2005”; and Samsung, in Atari’s “Enter the Matrix.”

Scared of controversy

While desperate for ways to capture young men’s attention, most advertisers are scared by any hint of controversy, and there’s plenty around “Theft” and similar games.

Last week, Sen. Hillary Rodham Clinton, D-N.Y., announced she would introduce legislation to shield children from “inappropriate” video games, and called on the Federal Trade Commission to investigate this particular title.

Josh Larson, director of industry products at Gamespot, an online news and information forum for video games, expects tighter government controls on the industry as a result. “The government will want to play some role in the regulation of games and that could mean stricter laws about retailers selling the game and carding of individual buyers,” he said.

Still, Dave Madden, executive vice president of sales and marketing at WildTangent, a company which pioneered advertising in online games, doesn't agree. "This game would be controversial in any case because of the level of violence," he said. "There's no risk at all in advertising in a Tony Hawk or a Madden Football. It's the same level of risk as advertising in a violent movie."

Stickers and software patch

Take-Two has stopped manufacturing the game and will release a new version in October. It is also disseminating "Adult Only" stickers to retailers and will put out a downloadable software patch. No public relations or ad campaign is on tap, said a spokesman.

The PlayStation 2 version of "Theft" has sold 5.7 million units since it was released during the fourth quarter of 2004, making it the top-selling video game on the market, according to NPD Group. Data are not yet in for the PC and Xbox versions, released in June.

Take-Two lowered its guidance for the fiscal year ending Oct. 31 to \$1.26 billion in net sales from \$1.31 billion. But events probably won't affect sales of the game, analysts said. "You sell 80% of your games in the first six weeks," Mr. Vorhaus said. "For every game they are not selling [due to the controversy], they are selling at least one game due to press attention."

ADVERTISING

Videogame Ads Attempt Next Level

No Longer Just Old Photos, New Technique Uses Sound, Motion to Reach Young Men

By **CHRISTOPHER LAWTON**

Staff Reporter of THE WALL STREET JOURNAL

July 25, 2005

Advertising in videogames, dominated in the past by static ads such as billboards and signposts, is beginning to look more like TV commercials.

For the past few weeks, [Massive](#) Inc., a New York company that distributes ads in videogames, has been testing an ad with full motion and sound in a science-fiction game called Anarchy Online. Today, Massive will roll out the full-motion ad capability to advertisers generally.



Massive rolled out a new capability that allows advertisers to run full-motion ads in video games.

Massive's move comes less than a year after it created a stir in the videogame-advertising industry by offering advertisers the chance to insert still ads into videogames played on Internet-connected computers. Massive uses the Internet to insert ads into spaces in the games. The ads can also be changed and withdrawn whenever the advertisers want. The technique was a big step forward for videogame advertising, which previously was restricted to ads inserted into games while the games were made. Because games can take up to a couple of years to be designed, this required advertisers to put their ads into games well before the games' release.

The game-insertion technology opened the door for a broader array of marketers to promote their products on videogames. These ads are particularly suitable for Hollywood studios wanting to promote movies a week before their release date or retailers promoting holiday sales, Massive Chief Executive Mitchell Davis says. He says Massive has sold space to 35 advertisers, including [Viacom](#) Inc.'s Paramount Pictures.

Finding better ways to advertise in videogames is extremely important for many marketers, particularly those selling products aimed at young men, who often spend more time playing videogames than watching television. To

be sure, the money spent on ads in videogames is currently only a drop in the bucket compared with television – \$10 million compared with \$10 billion on TV advertising aimed at young men, according to estimates from Harris Nesbitt Equity Research. But advertising in videogames is growing fast and expected to reach \$92 million by 2008, according to Yankee Group, a global technology-research firm.

“We know the 17 to 34 audience, the male audience, is elusive and quite difficult to reach through traditional broadcast. ... It is incumbent upon us to find ways to reach them,” says Gerry Rich, president of world-wide marketing for Paramount Pictures.

The introduction of full-motion ads on games gives advertisers more options. Massive’s Mr. Davis says Hollywood movie studios have shown particular interest in running 15-second movie trailers in online games. Mr. Rich says Paramount may be interested in such ads, but emphasized that the content of any such ads shouldn’t turn off gamers.

To be sure, Massive’s ad-insertion technique has some limits. Massive is so far inserting ads only into computer games connected to the Internet, rather than games played on any of the more popular consoles like [Sony Corp.’s PlayStation](#), [Nintendo Co.’s GameCube](#) and [Microsoft Corp.’s Xbox](#). A little more than a quarter of young men surveyed by [Activision Inc.](#) and Nielsen Media Research played videogames online.

Massive says its technology works for both online games and consoles, but it hasn’t yet negotiated a deal allowing for ad-insertion in console games. Mr. Davis says he hopes to strike a console game deal soon. Edward Williams, managing director at Harris Nesbitt Equity Research in New York, says the videogame ads won’t take off until console games are included.

One problem with the full-motion ads is that gamers can easily avoid watching them. The full-motion ads start playing when a player moves near the ad spot on the screen – and stop playing when the player moves away. As a result, gamers may see only a few seconds of the 15-second ads. Massive says it won’t charge advertisers unless the full ad has been viewed.

Write to Christopher Lawton at christopher.lawton@wsj.com

[Ads for Sprite, Motley Crue Appear in Anarchy Online](#)



In-game ads get active

Short TV-style commercials will make their way into the video game world starting in the summer as in-game advertising provider Massive Inc. plans to debut 10-second spots on its network next month.

By Georg Szalai (June 30, 2005)

NEW YORK – Short TV-style commercials will make their way into the video game world starting in the summer as in-game advertising provider Massive Inc. plans to debut 10-second spots on its network next month.

“A new medium we have created is a 10-second dynamic ad,” Massive chief marketing officer Nicholas Longano said here Wednesday at a panel about latest trends in the burgeoning in-game ad business. “With it, marketers can test ads and consumer reactions in real time.”

Longano said a traditional 30-second spot would interrupt game play too much, but he is optimistic that gamers will readily watch the shorter commercials. “Advertising makes the gaming experience more realistic ... people accept it and actually like it” as long as it doesn’t interfere or distract too much from the game itself, he said.

He explained that players would get to see the short animated videos in “natural” situations, such as when moving their game characters by a TV set that is turned on.

Massive will start using the spots in about two weeks and will charge higher rates than for its static ad displays within games, according to Longano.

He said Massive will provide further details later about the 10-second spots, such as ad partners and games that will use the new tool.

Wednesday’s panel was organized by the Advertising Club and sponsored by Massive, which delivers ads to gamers in real time – on such things as virtual billboards and store fronts – using its video game network.

Gaming industry representatives said at the panel that they will continue to roll out advertising opportunities in their product and they haven’t seen any negative reaction from consumers.

“We use ads where it is authentic,” said Wim Stocks, executive vp at Atari. “So far, we haven’t seen any backlash from consumers.” He predicted that about 30% of Atari games will have ads over the near-term.

However, Stocks predicted that as gamemakers keep pushing the ad envelope to test their limits, “at some point there will be a push-back.” Similar to Hollywood movies, games must over time find the right balance that allows companies to offer ads without alienating consumers.

Industry insiders said Wednesday that film studios are among those that have taken advantage of in-game ad opportunities so far and will be open to experimenting with new forms of commercial messages.

Said Bruce Friend, executive vp and managing director of OTX

Research: "The boxoffice has been weak, so studios will look to get more creative in their advertising."

Stocks said he also expects another form of creativity to become more important in the Hollywood-gaming relationship. Over time, video game developers will likely start working more closely with film studios when it comes to creating games tied to movies, a move that would benefit both sides, he said.

Said Stocks: "If there is more interaction between the film and the game, and the game offers expanded stories and more character development," gamers will be happier and enjoy both products more.

Courtesy of The Hollywood Reporter

read the [story](#) from which this graphic originated



In-game ads may boom in video games:-

SANTA MONICA, Calif. | June 05, 2005

More and more U.S. TV viewers are fast-forwarding through TV commercials and as a result, in-game advertising in video games, may boom.

Dave Anderson with Activision, a leading maker of video games thinks his company has the answer to excessive fast-forwarding of commercial ads.

In-game advertising is the process by which we take brands and products into the video game in much the same way that theatrically there are products and brands that show up in movies, he says.

In-game advertising reaches males ages 18 to 34, who are especially hard to reach, exactly the audience that Activision delivers, according to Anderson.

Activision has been able to create areas within the storyline of games for brands and products to be displayed or to be placed, Anderson said.

The company is also working with Nielsen Entertainment to measure the reach of these in-game ads, said Anderson.

(UPI)

MICROSOFT HYPES NEW XBOX ADVERTISING FEATURES

Turning a World of Gaming Into a World of Marketing Opportunities

May 30, 2005

By [Marc Graser](#) and [T.L. Stanley](#)

LOS ANGELES (AdAge.com) – Microsoft Corp.'s new Xbox 360 console game system has been engineered to accommodate and advance advertising 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."

Xbox Live Marketplace

At the recent E3 conference, Microsoft executives also pushed the console's Xbox Live Marketplace, an online bazaar in which companies will be able to distribute game trailers and sell new titles, as well as additions like levels, maps and vehicles, while gamers can sell stickers, T-shirts, sound tracks or in-game elements that they designed.

But Microsoft has bigger plans for the Xbox marketplace than just games.

It envisions a Myspace.com-like community through which record labels will be able to launch new bands with free MP3 downloads and videos or host live concerts, or a studio to unveil an exclusive film trailer. Users will also be able to buy music and movies.

The Marketplace opens the doors for advertisers to showcase short films or other branded entertainment they may have produced, and offer up other content consumers could download for free or for a fee.

DVDs, CDs, iPods

In addition to playing games, the Xbox 360 will also play DVDs and CDs, and include ports for Apple's iPod or other music devices and digital cameras, and can connect wirelessly to a PC through a wi-fi connection. It will also enable users to send e-mail, instant message and chat via video conferencing during gameplay or while watching TV or a movie.

Microsoft hopes all that functionality, in addition to cool games and fancy graphics, will help the company sell 1 billion consoles. The current system, introduced three years ago, has sold 20 million units to date. Its Xbox Live service has 2 million subscribers. Xbox wants over half of its 360 consoles to be connected to Xbox Live.

Some industry watchers likened the potential for advertisers on the Xbox 360 to the current practice of sports sponsorships and naming rights on stadiums and other venues.

Intrinsic added value

But there's an intrinsic added value for a marketer who's involved with the Xbox 360, said Jamie Berger, general manager of the consumer products division at IGN Entertainment, which runs Web sites and events for gamers.

"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."

Executives from Microsoft declined to comment further on their upcoming plans to attract marketers. In the past, Xbox has tried to steer clear of

turning off gamers with the image of its console serving as a marketing platform for advertisers.

In-depth personal data collection

But 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.

"We thought very differently about our approach when designing the product," said J. Allard, corporate vice president and chief architect of the Xbox at the company's press conference at E3. "We knew we had to tap into a lot more markets, we knew we had to fit into a broader range of lifestyles. We love that guy, the 18- to 34-year-old-male; he's the backbone of the industry. But 360 is also the product that's going to push gaming back into the mainstream, the product that will fill that couch up with people from every demographic and every market."

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, "which gives this platform a significant advantage over less regulated environments like the Internet."

Madison Avenue and Hollywood

Microsoft has yet to reveal any deals with sponsors. And it's still too early for many to even consider what they might do with the device. But Microsoft's plans are certainly generating interest – from Madison Avenue and Hollywood.

Amy Powell, Paramount Pictures' vice president of interactive marketing, said she hasn't yet discussed advertising on Xbox 360 with Microsoft executives, but she's interested in the medium as a tool to promote

films.

"It's an excellent opportunity because that audience is so important to us," she said.

Of course, the Xbox 360 will prove even more attractive to advertisers should Microsoft manage to meet its lofty goal of selling 1 billion consoles.

However, the Xbox 360 won't be the only video-game player advertisers can turn to.

Sony PlayStation Portable

Marketers are also eyeing Sony's new PlayStation Portable as a way to reach consumers, because the new handheld game system also plays music and movies and downloads content from Web sites. Sony's next-generation PlayStation 3 will also enable gamers to connect to the Internet to play other gamers and download content. The PlayStation 2 dominates the console market with a 68% market share vs. Microsoft's 17% according to DFC Intelligence.

Video-game devices are "becoming an exciting new medium, and we're all waiting for the rate card," Mr. Epstein said.

Industry watchers advise advertisers to be cautious, however. Mr. Berger said there will be many opportunities for marketers on the Xbox 360, but he thinks they need to be more innovative in the way they approach the medium. Simply applying the thinking that goes into traditional ad campaigns and media buys is the least effective way to try to grab gamers' attention.

"Marketers need to tailor their approach and make it special and unique to the platform -- not just an ad, but a brand experience," Mr. Berger said. "They need to use the medium in a way that adds value to the consumer and show that they're embracing the gaming culture."

BUZZ: Products invade games

May 23, 2005 FREE PRESS NEWS SERVICES

http://www.freep.com/money/tech/techbuzz23e_20050523.htm

Real products are everywhere in games these days, creating a windfall for the video game industry as it capitalizes on a growing push by advertisers to reach big-spending males ages 18 to 34 who log long hours playing video games.

Until very recently, advertisers weren't rushing to place products in video games. They spent only \$34 million in 2004 on in-game ads. But that amount is expected to explode to \$562 million by 2009, according to the Yankee Group research firm.

Advertisers were wary in the past partially because there wasn't a way to measure the effectiveness of the ads. Now, Nielsen Entertainment, which measures TV ratings for advertisers, is testing a system to gauge the impact of in-game ads.

In conjunction with Activision and Jeep, Nielsen has embedded an electronic marker in each Jeep image included in "Tony Hawk's Underground 2." Each time a Jeep is used or appears on the game screen, the electronic tag sends a signal over the Internet to Nielsen, which tracks the hits.

Arcades dwindling

Gaming arcades are hard to come by these days, done in by a combination of powerful home consoles and the rising cost of games.

There were only 5,000 independent arcades nationwide last year, down from 23,000 in 1982, according to Play Meter, a Louisiana-based monthly trade magazine.

The cost of high-tech games has outpaced the return on investment for small operators.

Previously, an arcade operator could take about three months to recoup the price of a game that cost about \$3,000.

Today, arcade patrons lose interest much faster, given the saturation of the home video-game market and its weekly onslaught of new titles. That

forces arcade operators to try to recoup their investment in a game more quickly.

Free Press news services

Digital Life

Advertisers Get Game

Arik Hesseldahl, 05.20.05, (Forbes)

http://www.forbes.com/technology/2005/05/20/cx_ah_0520diglife.html

Gamers, advertisers know who you are and they're coming after you.

Lost in the talk this week of the new videogames from Microsoft , Sony and Nintendo is that these consoles will provide an ideal platform for advertisers. Advertising within videogames is not a huge business today—about \$50 million to date by one estimate—but is expected to grow tenfold in the coming years.

The ever-more realistic games are becoming fertile ground for advertisers, mainly because they reach a juicy demographic—18 to 34 year old males with disposable incomes who are increasingly less likely to watch TV. The games contain lots of opportunities to use the virtual environment to plug products and services.

Massive Inc., which has created a videogame advertising network, said recently it will expand its dynamic ad serving capability into 40 game titles from ten top game publishers before year's end. According to the company advertisers Coca-Cola, Comcast's G4, Dunkin' Donuts, Intel , Verizon and others. For the first time, the company says, advertisers are implementing real time, in-game campaigns to a weekly audience estimated to reach several million gamers by the end of 2005.

Last month IGN Entertainment, which runs a network of gaming-information Web sites, announced it too had developed technology to make it easy for game developers to place ads

directly into videogames. Its software development kits also allow developers to add features like online gaming, live chat and statistics tracking to more than 300 videogames from the likes of Atari , Activision , Electronic Arts and Take Two Interactive , among others.

These won't be just simple product placement ads but more subtle—and a little more determined—says Dale Strang, IGN's vice president and general manager for media at IGN.

“We think the ability to move content in and out of games all the time is going to be hugely important to game publishers and marketers,” he says. “The new systems will offer a rich environment that is connected all the time.”

For Sony, the obvious trick will be cross-promotion. Kaz Hirai, chief executive of Sony Computer Entertainment America, earlier this week said the company will use its PlayStation as a vehicle to promote other Sony products. The company has already included a copy of *Spider-Man 2*, a Sony movie, with the PlayStation Portable last month.

Sony also has a music label and an online music store that will need promotional help, and what better place for it than in the confines of a high-profile videogame? Why not advertise Sony's Connect.com as the exclusive venue from which to download a custom playlist of songs to listen to while you race a fast car or battle with some mystical monster? Why not just inject yourself into a cinematic-quality setting from the next Spider-Man film?

“I think as more of the media gets integrated, you can expect to see more interdivisional cooperation,” Hirai says. “We'll be working together even more than we are now.”

But it goes much further than that. Realism is key to many games, and real life is a place where ads and commercial products crop up all the time. Developing sophisticated games isn't getting any cheaper, so game publishers will be looking

for ways to recoup some of their investment while marketers will be looking for new ways to reach their audience.

The question is whether gamers will be put-off by the intrusion.

“People are used to be marketed to, but they won’t put up with being intruded upon,” Strang says. A few months after a big game is released, players can download new play levels that might be set to new music or contain a new car that’s based on a real car set to be released soon. “Nobody is going to benefit from an ad that is not placed too garishly.”

In other words, they want you to notice their ads without noticing them.

Friday, May 20, 2005



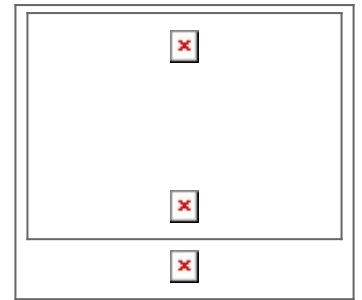
Activision

This computer-generated image provided by Activision shows a Jeep in a scene from a video game, “Tony Hawk’s Underground 2.” As companies look for more effective ways to advertise, product placement in video games is expected to go from \$200 million to \$1 billion by 2008.



Products now placed liberally in video games

By Gary Gentile / AP Business Writer



LOS ANGELES – As a member of the Elite Operations Division in the video game “True Crime: Streets of LA,” the character Nick Kang must find his way to a truck heist at the flagship Puma sportswear store.

Lucky for him, he has a Motorola handset with built-in global positioning system technology.

In the online game Everquest II, players don’t need to leave their fantasy world to satisfy hunger pangs. They can click an icon and have food delivered from the nearest Pizza Hut – within 30 minutes.

The product placement – benign, interactive and sometimes aggressive – belongs to a growing push by advertisers to reach big-spending males from 18 to 34 who log long hours playing video games.

Analysts say in-game advertising could generate as much as \$1 billion in new revenue for the fast-growing industry by the end of the decade because it almost assures advertisers quality time with an audience they crave: Young men.

Research by Nielsen Entertainment has found that prime-time television is losing younger male viewers, while Sony Computer Entertainment America notes that several million people are glued to their PlayStation 2 consoles playing online games during prime-time TV viewing hours.

The strategy of insinuating ads into video games was a hot

topic at this week's E3 video games trade show, where Sony, Nintendo and Microsoft unveiled their next-generation game consoles.

"Game publishers have to recognize that there are millions, if not billions, of dollars in advertising money coming their way in the next few years," said Justin Townsend, chief executive of IGA Partners Europe, an agency that places in-game ads for clients.

The increased spending is another sign of the booming popularity of video games. In 2004, \$7.3 billion worth of video and PC games were sold in the United States. By comparison, the domestic movie industry saw ticket sales of \$9.4 billion.

On the first day it hit stores last November, the hugely popular game "Halo 2" generated \$125 million in sales, while the Pixar animated film "The Incredibles" reeled in \$70 million in ticket sales over the same weekend.

Until very recently, advertisers weren't rushing to place products in video games. They spent only \$34 million in 2004 on in-game ads – a far cry from the billions spent on television advertising.

But that amount is expected to explode to \$562 million by 2009, according to The Yankee Group research firm. Including "advergames" – games built solely to promote a product – game advertising will approach \$1 billion by the end of the decade, the firm predicts.

Advertisers were wary in the past, partially because there wasn't a way to measure the effectiveness of the ads. Now, Nielsen Entertainment, which measures TV ratings for advertisers, is testing a system to gauge the impact of in-game ads.

"We kind of have a pretty good idea of how people are

watching TV," said Michael Dowling, a Nielsen executive. "With a video game, because of its nonlinear nature, we have no idea how people are navigating their way through the game."

Nielsen already has paper diaries in the homes of some gamers to document their game-playing. Now, in conjunction with Activision and Jeep, Nielsen has embedded an electronic marker in each Jeep image included in "Tony Hawk's Underground 2."

Each time a Jeep vehicle is used or appears on the game screen, the electronic tag sends a signal over the Internet to Nielsen, which tracks the hits.

Much of the advertising in the works for games mirrors reality. A virtual recreation of Times Square, for instance, would include billboards for products. A NASCAR game might include actual car models decorated with real ads.

And games can do what no other medium can – force players to interact with an ad.

In "Underground 2," players have to perform tricky skateboard stunts involving a Jeep. In the Ubisoft game "Tom Clancy's Splinter Cell," players must use a Sony Ericsson cell phone to deal with some challenges.

The interaction is likely to produce stronger product recognition and sales than traditional ads, said Jeff Bell, vice president of marketing communications at Daimler Chrysler, the maker of Jeeps.

"We have plenty of chances to put 30-second advertisements on television and not know whether people really watch them or not," Bell said during an E3 workshop.

Some companies have found another way to reach young male gamers – market their own games.

Chrysler said the simple sports and puzzle games it has distributed in magazines, CDs and Web sites have led to sales. The games require players to register and provide data that can then be matched to subsequent purchases.

Of 3.5 million people who registered and downloaded games in the past 18 months, 10,000 eventually bought Chrysler vehicles, Bell said.

“That was a wake-up call for us,” he said.

The tactics have emerged as the industry wrestles with increasing costs. Developing a top-level video game with sophisticated graphics can now cost as much as \$15 million – a price tag that could triple in the next few years to keep up with the capabilities of the latest consoles.

Game makers are balking but say they will likely have to raise prices to cover some increasing costs. The hikes are risky because many customers are teenagers who can’t afford steep increases.

That has made revenue from in-game advertising even more important.

“It’s not a ‘nice to have,’ it’s a must have,” said Yankee analyst Mike Goodman.

Build Game Ads Better, and They Will Come

May 19, 2005

By Gregory Solman

LOS ANGELES Advertising agencies are likely to become more involved in online games as the sophistication of the in-game ad space increases, said the co-founder and evp of Double Fusion today.

"Agency involvement is key here," said Guy Bendov at the Electronic Entertainment Expo (E3) here. He added that with Double Fusion's introduction of rich-media (j-pegs, Flash movies, 3D, music, animation and video, rather than static billboards), agencies still handling game ads via third parties or with small interactive offshoots (or clients staying in-house) "are proving they're still in their infancy."

The Jerusalem- and Los Angeles-based company signed Procter & Gamble to pioneer the use of rich-media game advertising for a yet-unnamed car-care product in two titles, Data Design Interactive's London Taxi Rush Hour and Team6-Games' Taxi3: eXtreme Rush.

Citing a Yankee Group survey, Bendov said the young, male demographic is spending as much time on the Internet as playing games, yet the yearly ad spending, \$8.5 billion versus \$50-70 million, respectively, is disproportionate.

"There's a huge opportunity," Bendov said. "We're providing a system that provides the technical infrastructure as well as acting as brokers between the advertisers and the game companies in order to find and create relevant campaigns."

Bendov said he is unconcerned about the potential backlash from gamers as unobtrusive billboards, such as those introduced by Massive Inc. in its online game network, become more like traditional commercials. He said ads have become skillfully integrated "to become part of the game, so it is closer to product placement. If Castrol, for example, had [labeled] oil cans in a game, hitting them would make the car go faster."

P&G "understood that billboards don't have the effectiveness anymore," Bendov said. "They wanted the interactivity. That has an enormous impact on brand recall." Double Fusion panels demonstrate that gamers more easily accept sophisticated forms of media, he added.

"That clients and agencies have been very careful to avoid overly excessive exposure in games is helping us a lot," Bendov said. "They've learned a lesson from online, interactive and even TV media, and are approaching the game space with care."

Bendov said the response from game developers at E3 has been positive, from big companies "and especially small ones, where the ad revenue can really change their bottom line."

Find this article at:

http://www.adweek.com/aw/regional/west/article_display.jsp?vnu_content_id=1000929017

Game makers look for ways to profit after the sale

Cox News Service

Last update: May 18, 2005

LOS ANGELES – Even with the price of some video games reaching \$50 or so, game makers are finding ways to make more money, selling everything from in-game advertisements to extra virtual swords for players.

Game makers for years have been cautiously exploring ways to seek new revenues beyond game sales. The trick is figuring out how to do it without turning away customers who already shell out hundreds of dollars for consoles, games and related items.

Microsoft Corp. is taking the boldest step with the new Xbox 360 system it's showing off at the gaming industry's annual Electronic Entertainment Expo (E3) conference here this week.

When Xbox 360 hits the market later this year, users will be able to go to an online marketplace to buy weapons, vehicles or other virtual supplies for a few dollars each.

Gamers can also fork out \$50 or so for an annual subscription to Xbox Live, which lets users around the globe do battle against each other or team up to fight aliens via Internet-connected consoles. Microsoft introduced the online subscription service with its current Xbox console.

"Nobody's making that much money with this sort of thing yet," said David Cole, whose DFC Intelligence consulting firm tracks the gaming industry. "But the whole idea of micro-transactions, digital downloads and subscriptions in general. ... They all have a lot of potential."

Even without charging users extra fees, gaming companies are finding new sources of add-on revenues.

One of the biggest and most promising is in-game advertisements. Coca-Cola Co. can pay to get a can of its product in a virtual character's

hand, for instance, or Dunkin' Donuts Inc. can pay to appear on a billboard in a car race game.

With online games, technology companies are even finding ways to change the virtual ads constantly.

Double Fusion, an Israeli company, on Tuesday announced a new ad-server system that lets advertisers inject their names into online games continuously – on virtual storefronts or delivery vans, for instance. The company said Procter & Gamble Co. has signed on to embed advertisements for a new automotive care product into two online driving games in Europe.

Massive Inc., another video game ad company, claims that by the end of this year it will embed advertisements for companies such as Coca-Cola, Intel, Verizon and Honda into more than 40 video game titles. Games that will contain the ads range from the obvious – “Mall Tycoon and Ski Resort,” to more tricky ones such as the dark shooter game “Splinter Cell Chaos Theory.”

Simple billboards and product placements inside video games are probably just the beginning, said Ian Bogost, an assistant professor at Georgia Institute of Technology's graduate digital media program.

“Essentially ... advertisers today don't really understand games, what they are and how they work,” said Bogost, who moderated a panel discussion on in-game advertising at an E3 conference Tuesday.

Bogost predicted tomorrow's video game ads could become more interactive, with gamers more typically using companies' products as tools to learn or create something inside a game.

Regardless of their form, in-game advertisements and related “advergames” will generate nearly \$260 million within the next three years, technology research firm Yankee Group predicts. That's paltry compared to broadcast or print advertising today. But it would be up sharply from the \$79 million or so spent last year on in-game ads and advergames such as click-and-win ads on the Internet or downloadable driving games from carmakers.

Ross Rubin, an analyst with the NPD Group technology research company, compared the game industry's new strategy to that used by the cell phone industry.

Consumers typically buy a new cell phone to make calls. But often, he said, they end up spending a few extra dollars each month on messaging services, sending pictures or downloading new ring tones.

Cole, of DFC Intelligence, had a different comparison.

"It's like the movie industry," he said. "The whole model used to be you'd go to a theater, pay for a ticket and sit and watch a movie."

But now, with DVD sales, merchandising tie-ins, in-movie product placements and other sources of revenue, the cost of admission "is just a small portion of the movie industry's profits," Cole said.

AN EXPENSIVE HOBBY

An unofficial estimate of what playing Microsoft Corp.'s new Xbox 360 game system could cost a typical user.

Console: \$300-\$500

Copy of "Halo" game: \$40-\$50

Xbox Live annual subscription to play with others: \$50

Xbox Marketplace add-ons: \$1 to \$10 each for virtual weapons, vehicles, music or bonus levels.

Gamers' Ad Quandary

By [Troy Wolverton](#)

TheStreet.com Staff Reporter

5/2/2005 10:01 AM EDT

URL: <http://www.thestreet.com/stocks/troywolverton/10220973.html>

Much as product placement has become a staple of movies and television, some analysts say advertising is a billion-dollar market opportunity for

video game publishers, such as **Electronic Arts** (ERTS:Nasdaq) and **Activision** (ATVI:Nasdaq) , and possibly console makers such as **Sony** (SNE:NYSE ADR) and **Microsoft** (MSFT:Nasdaq) . That's a significant amount for an industry that pulled in around \$10 billion in U.S. retail sales last year.

What's more, some bulls say, Wall Street isn't yet factoring in those advertising dollars into sales and earnings estimates, meaning these stocks could ultimately trade at a bargain compared with their prospective earnings.

"I think this is a great bullish opportunity," said Norm Conley, a portfolio manager for JAG Advisors and a contributor to *TheStreet.com's* sister site, *RealMoney.com* who is long EA, Activision and **THQ** (THQI:Nasdaq) . At current stock prices for game publishers, "You're basically getting any in-game advertising potential very close to free."

But skeptics say any potential is years off at best – if it's ever met. And to have a chance of reaching it, game publishers, console makers and advertisers are going to have to overcome a slew of obstacles.

Hip-Hop ads in video games?

Wednesday – April 27, 2005

Verbal Walker

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

With the hip-hop and video game worlds colliding very often, it only seems right that the two entities help each other out. The next phase in advertising comes in the form of product placement in video games.

Games such as "25 to Life", "Splinter Cell" and others will have billboards and flyers lodged within the game that advertise different musical artists. The demographic that this will cater to is 18-34

year old males, who consume both music and video games on a regular basis.

Not only that, but 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 titled "Bulletproof" which will allow multiple ad opportunities within the games wide open layout.

"MTV, BET, Hot 97 and all the rest by definition have limited space for me to get one of my artists some love," says one industry executive, "plus I have no idea if that BDS spin on Monday afternoon hit my key demo. I like the idea of advertising in the games because I know 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."

Video Game Advertising Seen Above \$1 Billion by 2010

April 14, 2005 NEW YORK (Reuters) – Advertising within video games, a hot new field for marketers, will likely surge eightfold to more than \$1 billion in the next five years as companies court consumers who have cut back on television viewing, according to industry estimates released on Thursday.



Mitch Davis, chief executive of video game ad network Massive Inc., said video game advertising was expected to top \$1 billion in the United States by 2010, and approach \$2.5 billion worldwide.

His view was partly supported by a forecast from Yankee Group, which figures game advertising will rise to about \$800 million in 2009 from nearly \$120 million in 2004.

More than one-third of that advertising 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. Radio Shack, for example, did that with a game for its ZipZap remote control cars.

“If the audience is disappearing from TV and print becomes less effective ... advertisers need to go where the eyeballs are,” Goodman told the Advertising in Games Forum in New York.

Goodman said video game producers are more keen to seek out advertising revenue to maintain margins.

“A new revenue source is needed because even if the price of games goes up, it will be insufficient to meet rising production costs,” he said, adding that only about 10 percent of video games become popular enough to make money.

The ad industry has held out video-game advertising as a way to reach young men ages 18 to 34, a coveted demographic that is slipping away from the grasp of traditional media.

Earlier this week, Massive launched a network to place and serve ads within about 40 different games like “Anarchy Online” and the new “Splinter Cell Chaos Theory.”

Blue-chip advertisers such as Coca-Cola, Intel and Nestle have signed on to the program, with ads appearing within the virtual game landscape as billboards, vending machines or store windows. Industry analysts point out that on average, consumers spend one hour per day playing video games, about the same amount of time devoted to the Internet. Internet advertising is expected to top \$16 billion by 2009, according to JupiterResearch.

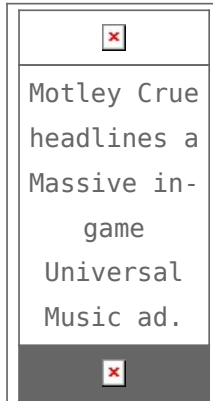
Video-game advertising will also get a boost from technologies that help target individual consumers better and rotate advertising messages more easily, as well as the rise of games played on shared networks like the Internet or wireless devices, they said.

Sponsors Aboard In-Game Ad Network

April 11, 2005

By Gregory Solman

http://www.adweek.com/aw/national/article_display.jsp?vnu_content_id=1000875355



LOS ANGELES As beta testing of the Massive real-time online in-game ad network ends today, more than a dozen advertisers have signed on, company CEO Mitch Davis said.

Advertisers will include Paramount Pictures, Los Angeles, purchasing in-game billboards and posters for four movies; Universal Music, Universal City, Calif., currently running ads for the rock group Motley Crue; Coca-Cola, advertising Diet Sprite and Fanta in games such as Anarchy; and Comcast, promoting its G4 gaming channel. Other advertisers include Nestle, Honda, T-Mobile, Verizon DSL, Dunkin' Donuts and UPN.

"The advertisers have responded to the network enthusiastically," said Davis. "They're employing a broad range of creative tied to different periods to reach that 18-34 audience." Davis added that the advertisers are taking advantage of the unique features of the network by purchasing time-based campaigns and geo-targeting.

For games such as Funcom's Anarchy Online, an exclusive deal was struck whereby those paying to play the game online will not see the advertising, but free play will be sponsored. Davis said he believes the advertising is popular with gamers, and that Anarchy players have photographed their in-game avatars posed by in-game billboards and sent them to friends.

Davis said that before year's end, the Massive network would swell from five to 40 titles, joining Ubisoft's Splinter Cell Chaos Theory and Take-Two Interactive's Mall Tycoon and Ski Resort, among top sellers. He said the net, encompassing 500,000 players during the test phase, is on pace to reach its goal of 3-4 million 18-34 male players per week by the fourth quarter.

Davis, who declined to give detailed information on ad impressions, said that Massive is undertaking an advertising effectiveness study.

Coke, Intel ads coming to video games April 11, 2005

LOS ANGELES, California (Reuters) – Advertising, already ubiquitous in movies and on television, took a step into video games Monday as Massive Inc. launched a network to place and serve ads within games. Massive said brand names like Coke, Paramount and Intel were already on board, with 40 games set to offer advertisements from Massive's network on in-game virtual billboards and shop windows by the end of the year. The company has been in "beta" testing on its network since last year. As the key audience of men ages 18 to 34 increasingly embraces video games as a preferred entertainment medium, at the expense of traditional forms such as television, advertisers are looking at games as an attractive way to reach that high-spending demographic. For game publishers, there is relatively little work to do to make space for ads in a game and plenty of reason to do it – Massive said early returns showed publishers were earning up to \$2 on each copy of a game sold with ads from their network.

Massive's ads appear in games like "Anarchy Online" and the new "Splinter Cell Chaos Theory," in many of the places an ad would be seen in real life – on billboards, shop windows, the sides of buses and the like.

Ten publishers have signed on with Massive, Chief Executive Mitch Davis said, including Take-Two Interactive Software Inc. and Ubi Soft. By the end of this year, Davis said, 40 games will incorporate the network. Besides Coke, Paramount and Intel, other major brands appearing in ads on the network include Nestle, Honda, T-Mobile and Dunkin' Donuts. In a research note last month, Harris Nesbitt analyst Edward Williams suggested the market for dynamic in-game ads could be in the "hundreds of millions to even billions of dollars annually," with the potential for sharp growth rates.

But Williams also suggested there were significant hurdles – not the least of which was ensuring advertising did not dominate game-play.

"How companies generate incremental revenues through ads will be critical to the consumer's willingness to put up with it. In other words, a successful campaign will blend in with the rest of the game – maybe even add to the realism of the product," he said.

Find this article at:

<http://www.cnn.com/2005/TECH/fun.games/04/11/massive.ads.reut>

Video games to get ads; makers to get richer



THEY'LL BE IN SCENERY TO AVOID BEING ANNOYING



By Dean Takahashi



Mercury

News

<http://www.mercurynews.com/mld/mercurynews/11364926.htm>



Video games have provided one of the last refuges from the ubiquitous advertising that hits consumers from every direction. But that's beginning to change, thanks to an innovative start-up that puts ads into games.

Massive, based in New York, has figured out how to insert advertisements into the background scenery of video games that run on both PC and game consoles. With its custom technology, the company can insert advertisements into billboards, storefronts and other parts of the scenery in a video game. It can even change the ads on a periodic basis.

More than a dozen big advertisers and 10 video game publishers have agreed to participate in Massive's advertising network, which has a business model resembling product placement in movies, said Nicholas Longano, chief marketing officer at Massive.

The added revenue from the ads could be a bounty for game developers and publishers. Massive estimates that it can add \$1 or \$2 net profit to the publisher's pocket for a \$50 game. Depending on the type of game, a publisher's profit is usually only \$6 to \$8 per game, so the new source of ad revenue could be a big deal for game companies.

Longano says that this secondary revenue stream will help put video games

on a more even footing with other kinds of entertainment. Movies, for instance, generate 24 percent of their revenue from the box office receipts. But they generate far more income through DVD sales, rentals, pay-per-view, network TV syndication and cable TV syndication.

"Video games are the only media without a secondary revenue stream," he said.

The company's founder and chief executive, Mitchell Davis, hit upon the idea a few years ago when he was playing a video game that was supposedly set in a big city. But as his character moved past storefronts and billboards, the illusion of the game was destroyed by fake ads. He wondered how he could put real ads into the game to make it look more real.

Others had tried to do such product placement before. Intel and McDonald's inserted ads into Electronic Arts' Sims Online game a couple of years ago. But the ads were static, and they required close work with the game development team many months in advance of the game release.

Massive is revealing today it has had great success lining up advertisers and publishers. The advertisers include: Intel, Paramount Pictures, Universal, Coke, Comcast's G4 gamer TV network, Nestle, Honda, T-Mobile, UPN, NewLine Cinema, Verizon DSL and Dunkin' Donuts. Game publishers include Atari, Ubisoft, Vivendi Universal Games, Funcom, Take-Two Interactive Software, Legacy Interactive, Codemasters, Eidos and Majesco.

Davis' team invented a technology that could use the Internet to download ads into a part of the game's scenery on a regular basis. Massive's own engineers work with game developers for just a couple of weeks to make sure the ad fits in the space of a virtual billboard or imaginary storefront.

"We make it look realistic, so the ad just looks like part of the game," said Longano. "It really brings to life the environment."

Jay Cohen, vice president of publishing for Ubisoft North America, says Massive allows Ubisoft to incorporate ads that enhance the realism of its games and at the same time don't spoil the experience of the game for the

player.

Every time the gamer plays the game, they can see a different ad in the same spot. And since the ads change and can be a natural part of the game's environment, the advertiser doesn't run as much risk of annoying the game player through over-exposure. Massive also measures how often gamers can see the ads so that it can report back to the advertisers how effectively they are reaching the audience.

"This ability to track the ad viewing is especially attractive," said Brandon Berger, an ad executive at OgilvyOne Worldwide.

In addition to that, the Massive network allows advertisers to jump on the bandwagon of a popular game by waiting to see if it is popular before committing to placing an ad in the game, said Chad Stoller, director of communication solutions at brand consultancy Arnell Group in New York.

"Advertisers who rely on making 'change on the fly' decisions and require immediate placements will benefit from massive's network because they can advertise when they are ready," said Stoller. "The film business will benefit tremendously from this network as they prepare for Friday movie openings."

The gamer audience hasn't been easy for advertisers to target. About 70 percent of males age 18 to 34 play video games and spend less time consuming other media. According to Nielsen Interactive Entertainment, people who see ads in games recall them better. In 2003, Nielsen said that males in this age group played 30 billion hours of games, as much time as they spent watching TV. And much of the playing occurred during prime time TV hours.

By the fall, Longano said that 40 game titles would use the in-game advertisements. Already, Ubisoft's Splinter Cell: Chaos Theory and Funcom's Anarchy Online use the technology to create dynamic ads. Notably, only games with live Internet connections will be able to download new ads. Consoles or PC games that are not connected would only be able to display the same ad over and over in a particular spot in the game.

A New Reality in Video Games: Advertisements



Ubisoft

An advertisement for Axe deodorant has been placed inside this video game.

By [MATT RICHTEL](#)



Published: April 11, 2005 New York Times

In video game vernacular, which of these commands seems out of place: throw punch, slay dragon or view Sprite billboard?

It's a trick question; they all belong.

At least they do to Mitchell Davis, who says he believes that advertisements and product placements will soon become as integral to video games as story lines and action.

Until now, ads have appeared occasionally and haphazardly in video games. But Mr. Davis, chief executive of Massive, a new advertising agency with headquarters in New York, hopes to bring a more aggressive marketing approach to interactive media – he wants to put up billboards and make product

placements for mainstream advertisers in the cyberworlds of sports, shooting and strategy games.

For now, the Massive ads will appear only in games played on personal computers connected to the Internet. But eventually Massive's technology will work in games played on consoles like the [Sony](#) PlayStation 2 and the Xbox, if they have an Internet connection. The Internet link allows Massive's software to modify the ads as players progress through a game.

"As you move through levels and zones you'll see fresh advertising," said Mr. Davis, 43. "You might see an ad for Mötley Crüe one minute and for T-Mobile the next."

Mr. Davis, a former executive at Britannica.com, has signed deals with 10 major game publishers, including Take-Two Interactive and [Vivendi Universal](#) Games, which together will include Massive's software in 40 games by the end of this year. He has also signed agreements with advertisers like Dunkin' Donuts, [Intel](#), Paramount Pictures, [Coca-Cola](#), Honda and Universal Music Group to place their ads with the game publishers.

Industry analysts and executives said that Mr. Davis was not the first entrepreneur trying to jump-start the video game advertising business, but that he was probably the farthest along in building an advertising agency around the idea.

There are, however, plenty of skeptics. Some game players worry that such ads will be distracting, while some game developers are concerned about having to modify their designs to satisfy advertisers.

"I don't want to pick up a sword and have it read [Nike](#) on the side," said Jeff Evertt, a video game player and programmer. But less intrusive product ads would not necessarily bother him, he said. Brian Fisher, another gamer and programmer, agreed.

“If the character drinks a Pepsi to get health points, it doesn’t bug me,” Mr. Fisher said.

Both Mr. Fisher and Mr. Evertt, who work at different video game studios, said they would be concerned if advertisers tried to dictate how and when the ads appeared.

“I don’t want to have to go to Nike and get approval,” said Mr. Evertt, speaking hypothetically.

Electronic Arts, the world’s largest independent game publisher, has not signed a deal with Massive because its executives said the Massive technology had not been proved. They are also wary of possibly compromising the quality of their games for ad revenues that are still quite small.

“We’re skeptical the promise meets the resource commitment,” said Julie Shumaker, director of in-game advertising for Electronic Arts. The company currently sells ads in a variety of ways in games that are not played online. For example, some sports games have billboards for Burger King.

So far, those ad revenues have been limited. Electronic Arts, which had \$4 billion in sales last year, for example, took in only about \$10 million in revenue from placing commercial images.

That may change as game publishers seek new sources of revenue to offset the growing cost of producing games, which can reach \$10 million to \$20 million, excluding marketing expenses. At the same time, advertisers are looking for new ways to reach 18- to 34-year-old males, a sought-after audience that is increasingly abandoning television (and TV commercials) and spending more time playing video games.

The confluence of these trends is likely to make product placement in games more appealing.

“This is the next big way publishers are talking about growing

their revenue," said Evan Wilson, an industry analyst with Pacific Crest Securities. Mr. Wilson added that the use of commercials was "almost inevitable in mass-market games."

A big challenge has been convincing advertisers that they can measure the effectiveness of their in-game advertising. To address this problem, Mr. Davis signed a deal in December with Nielsen, the company that tracks TV viewership, to use Massive's software to measure whether video game players are viewing the in-game commercial messages.

The software allows game publishers set aside locations inside a game to post ads. In one popular action game called Splinter Cell, for example, boxes on cargo ships are stamped with the names of advertisers.

The technology makes it possible to track how often a player comes across those boxes inside the game and reports back to the company over the Internet.

"Measurement is the key part of the proposition," Mr. Davis said. "Advertisers are looking for accountability."

Mr. Davis also said that ads could actually make a scene in a game feel more real. Not all game publishers and industry analysts agree, particularly if the ads interfere with the action.

Ms. Shumaker, from Electronic Arts, said full creative control was crucial for game developers. She added that if Massive proved its advertising approach to be profitable, Electronic Arts might well get more aggressive in its ad placements, though it would not hire an outside ad agency.

Smaller publishers, however, do not have the resources to go it alone, said Monika Madrid, who oversees product placement at Ubisoft, the publisher that makes Splinter Cell. She said Ubisoft had been very happy with its relationship with Massive.

Massive says it will pay a portion of the money it earns from advertisers to the game publishers. Mr. Davis said the publishers could eventually get ad revenue of \$1 to \$2 on each game sold. Ms. Madrid, however, said it was far too soon to know whether the partnership would lead to significant revenues.

MEREDITH LAUNCHES ONLINE GAMING SECTIONS FOR WOMEN Female Gamers Spend More Time Playing on Web Than Men

April 07, 2005 By [Kris Oser](#)

NEW YORK (AdAge.com) – In the wake of market research indicating that women are avid online gamers, women's magazine publisher Meredith corp. has launched gaming sections on three of its most widely read Web sites.

More than 280 games have been offered to readers of *Better Homes and Garden* (BHG.com), *Ladies' Home Journal* (LHJ.com) and *American Baby* (americanbaby.com). The sites combined reach about 8 million unique visitors a month.

Spend more time playing online

Of those who play games on the Web, women over 40 play the most often and spend the greatest number of hours per week doing so, beating out both men and teens, according to the Casual Gaming Report, conducted by Digital Marketing Services. Even though men spend more time on the Internet than women, female game players over 40 spend 9 hours online per week playing games vs. 6 hours for men.

Visitors to the American Baby and Ladies' Home Journal Web sites are 95% female, while BHG.com draws an audience that's 75% female.

RealNetworks, a digital entertainment company in Seattle, provides an arcade of casual games that can be sampled, downloaded for free and, for some games, offered for purchase in a revenue-sharing agreement with Meredith. The games in the RealArcade are more diversionary than the shoot 'em up variety. They include puzzles, mah jong, word games and others that are "approachable, gender-neutral and addictive," said Julie Pitt, general manager of RealArcade. "They are family-friendly games you

can play with your kids.”

Women use these games to take a quick breather, research shows.

Interact longer with ads

Dave Kurns, editor in chief of Meredith Interactive, said the games are a way to keep readers on the sites longer to view advertising and to interact with more parts of the sites and sign up for the offline magazines. Users must register a name and address to play. Games played on the site are free.

“They are a way for us to engage people,” Mr. Kurns said. “When they return, we recognize them [through a personalization feature and encourage them] to sign up for newsletters and other products.”

Advergames

Two additional games, built by Meredith – a matching game and a jigsaw puzzle – are designed to be adapted by advertisers for use as advergames.

Through innocent eyes – By Nicole Manktelow

March 25, 2005

Page Tools

Children are spending more and more time in front of a screen, TV or computer, according to studies around the world. For 12-year-old Chris, at least two of those hours are spent watching telly each day and his father, Michael O’Dea, reckons that’s more than enough.

O’Dea knows that for each hour of commercial broadcasting, his son may see as many as 30 advertisements. When Chris plays computer games, however, his father has no such estimates to rely on.

Unless O’Dea plays the games too, he has little knowledge of how many – or even what kind of – promotional messages are being directed at his son.

“The thought is a bit scary, actually,” says the Ashfield

music teacher and father of two. "Chris is really into online games at the moment, where he and his mates can play together. At the moment, he spends more time playing games than watching TV."

Little wonder advertisers are so interested in computer games. But are games just another marketing avenue among many or could in-game advertisements turn child's play into exploitation?

Forrester Research predicts that "advergaming" will grow to a \$US1 billion (\$1.25 billion) business this year. That means more computer, video and online games will include messages and product placements. And, in some cases, entire games will be an advertisement.

To celebrate Disneyland's 50th anniversary this year, the Walt Disney corporation has plans for an interactive multiplayer game called Virtual Magic Kingdom, expected to be released in May. It is based on the company's theme parks and aimed at 8- to 12-year-olds.

Games can be useful for branding, with or without pushing a particular product, explains Eric Zimmerman, the founder of an independent New York developer, GameLab.

"Lego has a website for kids that my company has done work for," Zimmerman says. "It's not about advertising on the site; Lego is more interested in the mind share of the children. When 8- to 12-year-old boys, who are Lego's key demographic, go on the internet, they want them to go to the Lego site and play games."

Disney's virtual theme park is likely to go a step further and include incentives to visit the real-life Disneyland. Children will reportedly be able to accrue points when playing the game, which will be redeemable for T-shirts or other merchandise when they visit Mickey and friends in person.

Of course, cross-promotion has become a predictable part of

the modern blockbuster. Games are made as marketing vehicles for movies. Meanwhile, movies (sometimes not all that good) are inspired by popular games.

“There’s a view in the industry that games are in danger of becoming the subsidised marketing wings of movies and television,” Zimmerman says.

One of the more subtle promotion strategies, used in movies, TV and games, is product placement – where brands and products may be visible in certain scenes, be consumed by a character or even be written into the storyline. The movie spin-off Enter The Matrix promoted Powerade; by drinking the stuff players could dodge bullets.

One might wonder if sedentary gamers are the ideal market for an energy drink, but then they’ve already been targeted by other beverage producers. They’ve seen Coke machines in Half Life and trackside ads for Red Bull in WipeOut XL. And if gamers wanted “fries with that”, players of The Sims Online could even set up their own McKiosks.

Some in-game ads look like real-life ads, positioned on billboards and stadium signage to be part of the landscape. “In sports games, there’s an argument that this is actually naturalistic, as sport events carry advertising,” Zimmerman says.

And, just as in real life, these billboards are big business. Massive Incorporated has created the first in-game ad network, set to stream ads to the virtual billboards viewed by players of the free version of the multiplayer online game Anarchy Online.

The creation of more sophisticated in-game technologies is part of a broader trend across media, says Jane Roberts, the president of Young Media Australia, a national advocacy group for quality programming.

“Advertising in general is getting more sophisticated,” Roberts says. And that’s by necessity. The traditional TV ad break is under more threat than ever, in part by new technologies such as personal digital recorders, which allow for easy fast-forwarding (if not skipping ads, as with the much-acclaimed TiVo feature).

“Rather than a 30-second ad, there are sponsorships and product-placements,” Roberts says. “The level of acceptance [of advertisements] in TV is dying. They’ve realised that people are turning off.”

If the TV is switched off, there’s a fair chance the computer is turned on. Recent research from the Kaiser Family Foundation into the entertainment habits of schoolchildren in the United States found most spent more than six hours a day engaged with media, including TV, computers and computer games, often juggling multiple activities at once.

Roberts says in Australia children spend about 2 1/2 hours a day watching television. “We know they’re also getting screen time when using computers at school, at after-school programs and then they might be using the net when they come home,” she says.

“Certainly, with games they’ve got a captive audience. A child is very engaged in the screen, whether it’s a handheld, console or computer game. And games-makers spend millions of dollars ensuring these products are enjoyable and engaging.”

If children play a favourite game for hours and hours, is using that game for advertising purposes exploitative?

“I think the advertising industry would use the word ‘creative’,” Roberts says. “It’s not a case of exploitation, but there is concern about games with ads when that age group doesn’t understand the intent behind the advertising.”

Some youngsters may be able to identify an ad from surrounding

content, but they won't necessarily understand that it is trying to persuade them. "Intent is not understood until middle primary school years," Roberts says.

"Very young children don't understand the intent of advertising. And yet children are targeted at a much younger age these days," she says. "Let's face it, there probably isn't an 18-month-old who doesn't understand what the golden arches means."

What's the message?

While games offer advertisers a new avenue for promotion, there's also opportunity for the games industry to benefit, too, with the hope, at least, that additional funding will assist innovation and produce better games or more affordable titles.

"I understand where they [advertisers and games makers] are coming from," says marketer Virginia Knights, who has a background in children's entertainment. "However, it has to be within guidelines and constraints so that there's nothing inappropriate – so that children are not being subliminally encouraged to be predisposed to certain brands or products."

A game promoting Disneyland may be blatant, but Knights believes that it's better for advertisers to be upfront when targeting youngsters.

Companies such as Disney "look to cross-promote between their brands and products because all of that is developed with a family market in mind; they'd see no issue with integrating those products," Knights says.

"There's that great word 'synergy' they like to use. But it's an entirely different situation if games are devised for children but the advertisements are for adult products."

It's the potential misuse of more subtle strategies that

concerns Knights and parents such as O'Dea.

"I'd certainly stop Chris from playing computer games if there was advertising for the wrong things, especially if it was cigarettes," O'Dea says. "He's at the age I was when I first started thinking about it. And it doesn't take much to encourage a line of thought."

There's little doubt that kids are swayed by advertising. O'Dea and his family can vouch for it.

"It was becoming a bit of a sickness – as soon as Chris would get something new, he'd obsess about something else," O'Dea says. "Since we cancelled our Foxtel subscription, we're watching less TV – so the kids are not saying they need something as much as they used to.

"Madeleine is eight years old. She's the one the TV ads seem to target more," O'Dea says. "I got told off yesterday because I changed the channel during a commercial she loves. It was an ad that seemed to be aimed at young women. It was about underwear. I imagine that down the track she'll start asking for underwear like that."

Parental controls

There are fewer interruptions, such as a parent changing channels, when kids play computer games. In fact, there's little parental involvement at all, Roberts says. This creates an unprecedented opportunity for advertisers to reach kids directly.

"Advertising is about creating a relationship and these games are doing that, but without the parents' involvement," she says. "Games are being played by the individual child. In most instances there is no adult directly involved. So you often don't know what the messages are.

"With any media, you'd want parents to know the content and to

make informed decisions.” Unfortunately, Roberts says, she knows some parents feel unable to take that step. “I did a workshop recently where half the parents in the room didn’t know how to turn a computer on. This is an era where the kids are technically minded and the parents are not.”

Roberts recommends having PCs and games in public areas of the house, rather than in bedrooms, so that parents can be better aware of the content their kids see. She also recommends that parents always check the ratings on computer games and, if not playing the game themselves, at least spend a little time with kids as they play.

“There’s always a parent’s responsibility, but at the same time parents are hoping for a bit of support from the games industry,” Roberts says.

Advertising may be a fact of life, but marketing expert Knights believes advertisers should also take some responsibility when communicating with kids. “Children are going to be exposed to marketing one way or the other, but thought and consideration should go into it,” Knights says.

“It’s not about the fact the advertisement is there, but what it is saying. It doesn’t have to be a negative message ... It’s easy to be cynical about people promoting things, but we have a responsibility as professionals to examine what positive outcomes can be achieved.”

Nice idea, perhaps, but is that going to happen?

“You can’t tell me that anybody really cares about that,” O’Dea says. “They only want to sell. Generally, people are only nice to you while they are getting what they want.”

Infofile

Australian commercial TV has one of the highest advertising rates in the Western world, according to Young Media

Australia. Children watching commercial TV may see as many as 30 advertisements an hour and as many as 23,000 commercials a year.

SOURCE:

<http://www.theage.com.au/articles/2005/03/23/1111525214633.html?oneclick=true#>

MAD. AVE.'S NEW PRODUCT PLUG: VIDEO GAMES By ART JANIK

March 13, 2005 – <http://www.nypost.com/business/42391.htm>

Where do players of The Sims Online send their Sims when they get hungry? Why, to the virtual McDonald's, of course.

The popular Sims video game, published by industry giant Electronic Arts (EA), is just one of the countless examples of the rapid growth of in-game product placements and advertisements.

And as more gamers connect to the Internet – whether through their consoles or PCs – marketers will be able to update their ads in the video games instantaneously.

“The idea of having a billboard space in the game is really going to take off as game systems go online,” said David Cole, president of market research firm DFC Intelligence.

“The constantly changing ad space in games is a more compelling deal for advertisers than (a permanently encoded ad) that never changes.”

Video games generated nearly \$79 million in advertising revenues in 2003, of which about \$10 million came from in-game ads, according to The Yankee Group.

By 2008, video games will boast almost \$260 million in ad revenues, \$92 million coming from in-game ads. The growth comes as advertisers wise up to the burgeoning ranks of game players. In the U.S. alone, there are 108 million gamers aged 13 and older. In 2008, the market is expected to grow to 126 million. Yet, even as the market swells, the video game industry is “significantly underserved” by advertising and marketing compared to

television, said Yankee Group Senior Analyst Mike Goodman.

“On a weekly basis, about 95 percent of 18- to 24-year olds watch TV, which accounts for approximately \$900 million to \$1 billion in ad revenues,” he said.

“While about 70 or 80 percent of 18- to 24-year olds play video games one or more times a week, the games only generate a paltry \$10 million.”

Game makers such as EA are working to change that equation – and marketers who want to reach the younger demographic are beginning to respond.

Pizza Hut, for instance, has linked with Sony Online Entertainment’s Everquest II. Participants who type in a simple command are taken to the pizza maker’s Web site, where they can place orders for delivery.

IGA Partners is developing a race-car game that will include radio stations that can be licensed to record labels.

When a band is scheduled to tour a select city, the company will use the Internet to promote the group’s music to potential concert-goers.

Watershed ban for computer game ads

02/03/2005



Television adverts for racing game, Grand Theft Auto: San Andreas, have been banned from being shown before the watershed.

The UK’s advertising watchdog was asked to investigate after receiving eight complaints about two commercials featuring extracts from the game shown before 21:00 GMT.

The complainants to the Advertising Standards Authority (ASA) included parents who said the adverts were shown at around 18:30 GMT while their children were watching Scrapheap Challenge on Channel 4.

The Broadcast Advertising Clearance Centre, the industry body that vets commercials prior to broadcast, ruled that Grand Theft Auto adverts should not be shown during programmes made specifically for children, but steered clear of banning it from transmission before 21:00 GMT.

However, the ASA implemented a ban, expressing concern about the “threatening atmosphere” of both advertisements. One advert reportedly showed “general scenes of violence and the use of guns” while the other had “detailed scenes of either violent or anti-social crime, including spraying graffiti and the loading and use of guns in drive-by shootings”.

In a statement, the ASA said: “We could understand the parents’ concerns that it was inappropriate for young children to see this level of violence in advertising for a product which was only available to adults.”

Rockstar Games, publisher of 18-rated Grand Theft Auto, insisted that its policy was not to advertise a product around programmes where less than half the audience was below the age required to buy it.

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Sony Puts Pizza Ordering in Videogames

Posted: Thursday, Feb 24, 2005 – 04:05:14 pm CST



PETER SVENSSON

NEW YORK – Demonstrating a deep understanding of what its computer-gaming audience, Sony has built the ability to order pizza into its latest online multiplayer game.

Type the command “/pizza” while playing Everquest II, a

fantasy game with 330,000 active players, and get the Pizza Hut Web site, where you can place orders for delivery.

Chris Kramer, spokesman for Sony Online Entertainment, said he believes this is the first time a game accepts orders for real-world items.

Sony plans to integrate the pizza function more tightly into the game, so players can charge pizza to their monthly game subscription bill.

“The goal for the future is to eventually let people do more things like this,” Kramer said. “They could type /harry potter and get the new Harry Potter book delivered or /star wars and get the new Star Wars DVD.”

Many games incorporate ads and product placements, but such opportunities are limited with fantasy games like Everquest.

Though the new pizza feature might satisfy appetites, caution is required as the game doesn't pause while you're ordering.

“You wouldn't want to order pizza in the thick of combat, but anywhere that's safe is a good place,” said Kramer.

Advertising In Games Forum In New York City April 14, 2005

Games Press http://www.gamesindustry.biz/press_release.php?aid=6468

AUSTIN, Texas, January 26, 2005 – The Game Initiative today announced the Advertising in Games Forum taking place April 14, 2005 in New York City at the Metropolitan Pavilion. Advertising in Games Forum is the first event of its kind focused solely on understanding the factors surrounding the important and rapidly emerging market for placing advertising in video games. The huge growth in game playing audiences among key demographics offers a new and an unprecedented opportunity for agencies to connect brands with content savvy consumers. The conference program features pioneers and practitioners from both the agency/client and game developer perspectives and will provide critical information on how

advertising can add realism and revenue for new games and offers insights on the range of options and ROI available when considering games as a new medium.

The Forum will feature a Keynote presentation by Mitch Davis, CEO of Massive Inc, the creator of one of the world's first video game advertising networks, and contributions from Sam Huxley Chief Strategy Officer at Bounce Interactive, Chad Stoller, Dir. of Communications Solutions at the Arnell Group and Rob Lawson SVP and GM at Enpocket. The conference will provide an overview of the market for advertising in games – the numbers and market drivers; review the platforms and new technologies available; reveal the latest campaign tracking techniques for measuring ROI, compare product placement, advergaming and dynamic on-line campaigns and offer insights into managing the agency/game developer relationship.

As the video game market evolves and segments – from on-line games and a new generation of consoles to mobile games – the pervasiveness of the medium underlines the need to get the latest information in order to make sound business and creative decisions.

“The rapid advances in games, game tools, advertising engines and solutions designed to provide robust tracking, campaign management and ROI means that for the first time advertisers have the ability to stay with a prospective consumer as they are immersed in a game,” said Christopher V. Sherman, Executive Director of The Game Initiative. “The implications for advertisers and game developers are hugely significant and the Advertising In Games Forum will provide attendees with real-world examples of the latest techniques.”

Earlybird Registration for the Advertising In Games Forum is now open. More information can be found at <http://www.AdvertisingInGames.com> .

About The Game Initiative

The Game Initiative is a leading producer of conferences and events for professionals in the computer and video game industry. The Initiative is chartered with the growth of the industry through events, public awareness, information and supporting programs and serves the needs of

companies and people involved in producing interactive entertainment software and hardware for video game consoles, handheld devices, personal computers and the Internet. Game Initiative events include the Austin Game Conference, the Women's Game Conference, The Advertising In Games Forum, and the How to Break into the Game Industry national conference series. More information about the Game Initiative can be found at <http://www.TheGameInitiative.com>.

For more information: Steve Farrer 512-415-8300 steve@gameconference.com

Disney Plans To Mix Ads, Video Games To Target Kids, Teens

(USAToday) 1/18/2005 10:05 AM EST

<http://www.magicalmountain.net/news/WDWNewsPrint.asp?NewsID=659>

(USAToday) NEW YORK – To reach kids and teens to promote Disneyland's 50th anniversary this year, Walt Disney Co. will use one of the hottest – and most controversial – gimmicks in the media business: “advergaming.”

Advergaming is when companies put ad messages in Web-based or video games. Sometimes the entire game amounts to a virtual commercial for a TV show or product. Sometimes advertisers sponsor games; sometimes they buy ad space integrated into them.

The online arcades put up by advertisers that include Disney, Viacom's Nickelodeon and even the U.S. Army rival titles from the \$10 billion video game industry in entertainment value and high-tech expertise.

But ad critics such as Jeff Chester of the Center for Digital Democracy decry them as “digital infomercials” that blur the lines between content and commercials and often collect data on consumers playing the games.

“These are not just harmless games. It's part of the brainwashing of America,” Chester says.

As part of an 18-month global campaign that kicks off on May 5, Disney will roll out an interactive, multiplayer game called "Virtual Magic Kingdom." It aims to provide a virtual visit to Disney's five global resorts and 11 theme parks to anyone with an Internet connection. The target: "tweens" ages 8 to 12 and young teens.

Visitors will be able to play free online games based on real attractions, such as the Haunted Mansion and Jungle Cruise. They'll also be able to chat, create their own avatars, or graphic icons representing real-life Web surfers in cyberspace, and earn virtual points that can be redeemed for T-shirts and other goodies at the actual parks.



The goal: push kids to urge their parents to visit a Disney park during the anniversary promotion that also includes the opening of Hong Kong Disneyland on Sept. 12.

"We hope it becomes a real hangout for preteens and teens," said Jay Rasulo, president of Walt Disney Parks & Resorts, during a recent news conference about anniversary-marketing plans.

Jeff Logsdon, managing director at investment banker Harris Nesbitt, says Disney's strategy "is clearly a clever way to engage with a key part of their target market. Kids 10 years old and younger have really grown up with the Internet."

Forrest Research predicts advergaming will grow into a \$1 billion business this year. As marketers try to target kids and elusive Gen Y consumers, Madison Avenue is waking up to the fact that Webwise younger consumers like video games – and disdain pop-ups, banner ads and other less-subtle forms of online advertising.

And rather than get a kid's attention for just 30 seconds with a TV commercial, advergaming can capture them for minutes or

hours.

“If a kid likes a game, they’ll play it 15 times,” says Tim Spengler, executive vice president of media services company Initiative. “Companies are asking ‘What’s my game strategy?’ ”

But companies wanting to create successful advergames have to be careful about the quality of the game experience, says Michael Goodman, senior analyst at the Yankee Group.

“The key is to remember that it’s a game first and an ad second. If it’s a good game, consumers will recognize they’re being sold. But they won’t care,” he says.

ADAGE.COM’S YEAR-END ADVERGAME CHRONICLES **Tracking the Rise of a New Marketing Venue**

January 03, 2005

<http://www.adage.com/news.cms?newsId=42220>

NEW YORK (AdAge.com) – Two thousand four was the year that digital games reached critical mass as a new mainstream entertainment and advertising medium. Among other things, total sales in 2004 of digital game items in the U.S. exceeded that of Hollywood’s national movie box office receipts. Below, we chronologically look back at our major stories about this market-changing genre of interactive entertainment that continues to emerge as a new area of marketing and advertising.

Nielsen To Measure Game Ads

Thursday, December 16, 2004

http://www.mediapost.com/dtls_dsp_news.cfm?newsID=283250

Nielsen Interactive, a unit of VNU’s Nielsen Entertainment division, yesterday announced it will provide third-party measurement and accountability for advertising on the in-game ad serving network Massive Incorporated. Financial terms of the deal were not disclosed.

“This is a major step forward for the advancement of video games as a viable advertising medium,” Mitch Davis, Massive’s CEO, said in a conference call with reporters. Davis predicted that the partnership with Nielsen will make video game ad serving so attractive to advertisers that

by the end of next year, Massive would be able to rival "Monday Night Football" for ad dollars directed at men 18-34.

He added that Massive will work hand-in-hand with Nielsen Interactive to create measurement data for ad impressions, dayparting, and reach and frequency (see related story in the traditional media news section of today's *MDN*).

Michael Dowling, general manager of Nielsen Interactive, told reporters in a conference call that the deal with Massive will let advertisers plan video game campaigns as they do with television and other media. By auditing consumer interaction with video game ads, Dowling said Nielsen will be able to provide data on the aggregate reach of in-game ads, and create a general profile on game audiences in the Massive network. Nielsen expects the first set of standards to be ready by the second quarter of 2005.

The audience measurement firm also has a video game measurement relationship with Activision, a prominent video game publisher. Dowling said the deal with Massive is an extension of its deal with Activision.

Executives in the video game advertising community applauded the move, saying it will help establish video games as a valid advertising medium more quickly.

"Everyone knows this industry is going to happen," said Darren Herman, founder and CEO of inGamePartners, a video game ad serving network and Massive rival. "The major issue is timing," he said, adding that bringing in a major player like Nielsen will bring the market credibility, and facilitate the growth process.

Herman said he expects it will take "one or two quarters" for the major brands to locate the budget for in-game advertising. He emphasized the importance of keeping the metrics as similar as possible to other media. "A common language is the easiest thing to adopt," he said. "One thing they can't get caught up in is interactive—this is not about click-through rates."

Brandon Berger, senior strategist of digital innovation, OgilvyOne, said

that advertisers are particularly excited at the prospect of running and monitoring the same campaigns across different games. "The dialogue has started. Now it's about creating accountability," he said.

Dave Madden, executive vice president of sales, marketing, and business development for interactive game marketing firm WildTangent, said a key component for advertisers is the ability "to compare video game spend from one media to another."

"Ultimately it behooves everyone in the industry to have a rating system to measure impressions, time spent with a brand, and reach and frequency," he said.

But, he added: "It's a little early to have a standard or definition of ad units." He said the emphasis on urgency in establishing such measures for the nascent ad medium is "probably a little bit of wishful thinking."

Emerging Trends

In-Game Advertising Gets Game

Forbes.com, 11.29.04, 7:00 AM ET

[To get fully personalized and confidential answers to your own business questions, visit the Forbes Custom Research Center.](#)

Hot Trend: The players in your virtual NFL game are wearing **Nikes** (nyse: [NKE](#) – [news](#) – [people](#)), and at (virtual) half-time you see a digital product pitch. Meanwhile, your kid is dunking virtual Oreos in virtual milk in a Nabisco-created basketball game. “It’s proof positive that video gaming has hit the big time,” says Find/SVP technology consultant James Belcher.

Why: The growth of gaming and the decline of traditional media audiences have marketers looking for new ways to place their products before the public. According to one survey, a quarter of gamers recall an ad from a game they’ve played. “There’s enough money being spent that it has caught the attention of advertisers,” notes Belcher, “and people also spend a lot of time gaming, so advertisers want to catch them while they’re doing it.”

Opportunities: In-game advertising takes two forms. One form features ads themselves as games, spawning new marketing entities such as Blockdot and WildTangent that specialize in these formats. Some of these “advergames” are quite ambitious; the film *Sky Captain and the World of Tomorrow* is promoting itself with a fully fledged, downloadable PC game—free. The form is a natural for entertainment marketers and consumer companies like **Kraft Foods** (nyse: [KFT](#) – [news](#) – [people](#)) that target kids, as well as those going after adults, like **DaimlerChrysler** (nyse: [DCX](#) – [news](#) – [people](#)). The second form, known as “in-game advertising,” resembles product placement, and some games lend themselves to subtle verisimilitude: **Puma** (otc: [PMMAY.PK](#) – [news](#) – [people](#)), **Coca-Cola** (nyse: [K0](#) – [news](#) – [people](#)), **Nokia** (nyse: [NOK](#) – [news](#) – [people](#)), and **Sony** (nyse: [SNE](#) – [news](#) – [people](#)) are among the companies placing their brands in imaginary terrains. “A real-life component is part of the appeal of some games,” says Belcher.

Danger: Advergaming may come under parental scrutiny, “Is it a product? Yes? Is it an ad? Yes.” As for in-game product placement, there is a risk of backlash if it’s clumsy, comments Belcher. “Consumers pay money for their games and

play them to get away from the everyday.” If product placements seem obtrusive and ruin a gamer’s suspension of disbelief, you will drive him or her (39% of gamers are women) away, and they’ll spike, instead of buy, your brand.

Companies To Watch

Kraft (nyse: [KFT](#) – [news](#) – [people](#))

DaimlerChrysler (nyse: [DCX](#) – [news](#) – [people](#))

Blockdot

WildTangent

Video Game Ads Contribute To ‘Slow Death’ Of :30

by David Kaplan, Nov. 16, 2004,

<http://www.mediapost.com/PrintFriend.cfm?articleId=278915>

Aside from adding another pre-eulogy to the impending death of the 30-second commercial, a study by the Reed Elsevier research firm In-Stat/MDR says that the growing attraction of video games as ad vehicles is likely to grow more than most expect.

The report, “Television Advertising 2004-2009: The Slow Death of the 30-Second Commercial,” looks at how TV advertising is changing in the face of increased competition from the Internet, video games, and prepackaged content, as well as new technologies such as personal video recorders. The report includes forecasts of new advertising methods such as video game advertising and product placement, as well as TV, cable, Internet, and radio advertising.

Among the report’s findings is that the total U.S. electronic advertising market will see an average growth rate of 2.8 percent from 2005 through 2009 in the face of the reduced potency of broadcast advertising. The growth will largely be driven by Internet advertising, and to a lesser extent, cable

TV and video game advertising.

The diminishing effectiveness of broadcast advertising can be attributed to two major irreversible trends, said Mike Wolf, principal analyst of In-Stat/MDR. The first is the continued fading away of the broadcast TV audience to other media, like cable television, DVDs, the Internet, and electronic gaming.

The second is an increasingly empowered consumer through new technologies like the personal video recorder (PVR) that allows users to skip ads. In addition, the consumer will continue to be empowered through new distribution channels for content, such as DVD by mail and downloadable premium content through services such as CinemaNow and MovieLink.

"PVRs have turned the broadcast TV ad business on its head," Wolf said. "Our research shows that over two-thirds of those with a PVR skip ads, with 75 percent of those individuals skipping over 50 percent of ads shown. Some of the ways broadcast TV execs and advertisers are combating the rise of ad-skipping technologies is through the increased use of product placement. The recent \$7.7 million giveaway of Pontiac cars on Oprah to create a marketing 'event' is an example of what is being done today outside of the 30-second commercial."

The report was based on interviews with people in the TV industry and with users of technology. Wolf said he believes that the coming troubles have been masked somewhat by the amount of political ad spending this past year. But the day of reckoning is fast approaching, as major Fortune 500 companies are beginning to say that they will not continue to pay as much for a shrinking audience.

"Video gaming is now a \$300 million a year business, but by 2009, it'll be more like \$3 billion," he said. "It's an undervalued market right now. Granted, it will still be smaller than total TV is going to be, but as more people change their media habits, video gaming will make a

difference. And ad insertion will be a major support in furthering online games, as many people will not want to pay the fees in order to play.”

As for putting video gaming in further perspective, market researcher Veronis Suhler Stevenson noted that last year, Americans on average spent nearly 1,800 hours watching TV and 71 hours playing video games. By 2008, that’s not expected to change much, as their forecast expects slightly more than 1,900 hours devoted to total TV watching and 98 hours for video games.

Invasion of the Video Game Ads

Ad networks target online gamers as next big audience for product placements.

Jason Tuohey, Medill News Service

Friday, November 12, 2004

<http://www.pcworld.com/news/article/0,aid,118428,00.asp>

You’re deep in an online game, storming through a gritty urban landscape. The enemy? A gang of brawling thugs armed with baseball bats. You battle furiously, take out the last villain, and look up in triumph. And the first thing your eyes light upon is a billboard hawking Starbucks.

Take note if your favorite online game has billboards, banners, and other signage sprinkled around the landscape. Although some games already contain real ads, many still have signs promoting imaginary companies or services. But that may not last much longer—two online ad networks, the type of company that dreamed up banner ads for Web sites, promise to pump games full of ads for cable TV shows, soft drinks, technology products—you name it.

✘ “There are more ads in games than you might think,” says Michael Goodman, an entertainment media analyst with The Yankee Group. For example, boxed games like Tony Hawk’s Underground 2 and pay-for online games such as PlanetSide come to mind. But Goodman says these online ad networks, which are still in their infancy, promise to bring ads to every online gaming street corner. They will multiply the number of ads both in

online games and in games connected to the Internet through a console by dynamically plugging ads directly into games and also by playing video ads while a game loads.

✖ [Massive Inc.](#) and [InGamePartners](#) will soon be plugging dynamic real-time ads into both online games and games connected to the Internet through Microsoft Xbox, Sony PlayStation 2, and Nintendo GameCube consoles. Online gaming is big business, of course: The Entertainment Software Association estimates that between 50 and 60 million Americans play online games.

Massive's network serves video game companies Vivendi Universal Games (Half-Life2, among many others), UbiSoft (the Myst series), and Legacy Interactive (Real Life Games and games based on the TV show *Law and Order*).

InGamePartners provides ads from businesses like General Electric and Spike TV to online gaming companies Phoenix Connexion (FragFest Chicago and Imagination Cubed) and [GriffinRUN](#), a game server hosting company.

Consumer Reaction

How do consumers feel about the push to fill their games with ads? According to a 2004 study released by Nielsen Entertainment and video game company Activision, pretty good. The study claims that 35 percent of male gamers say in-game ads help them decide which product to buy, and that over 50 percent of "heavy gamers" liked having real ads in the games.

"I don't think gamers are going to mind the ads...kids want more reality in their games," says Richard Skeen, Massive's vice president of advertising sales.

But not every gamer believes the ads lend credibility.

"I find it shameless. I hate it," says Alan Dolan, 28, a broadcast designer in Chicago and an active gamer. "You don't want to live in reality when you're playing a video game," he says.

A New Source of Revenue

According to The Yankee Group's Goodman, gamers have only seen limited ads in boxed video games because those games' lengthy production timeline can make the ads obsolete by the time a user sees them.

But online game makers may be receptive to the additional revenue ads offer because their games become less lucrative as the cost of production increases. And to keep a game competitive, frequent changes and updates need to be made. The ad networks offer a fix for this financial pinch, and reach gamers in a timely, effective manner, Goodman says. However, the networks can't reach those who play offline.

Danger, Danger: Intrusion

Still, it takes more than a network to generate effective advertisements.

"What we've learned through various studies and just being gamers ourselves is that gamers didn't like to leave the game," says Darren Herman, CEO of InGamePartners. "The issue is, how many market placements can you put in a game without corrupting the game?"

And Jason Della Rocca, program director for the International Game Developers Association, says the ads must be realistic to work.

"If I'm playing a Star Wars game, and there's a McDonald's or Starbucks in Tatooine...that really doesn't help," says Della Rocca.

Representatives from Massive and InGamePartners insist that innovative methods like playing video ads while games are loading or having a game character use a brand name product can avoid interrupting gamers.

"This is not at all anything like a pop-up ad," says Amy Janzen, a spokesperson for Massive. But Della Rocca cautions that even playing ads during load time might cause problems. Think about how much you enjoy pre-movie ads when you play a rented DVD. "I think (load-time ads could) be pretty disruptive," he says.

Problematic Games

For gamers looking to avoid ads, the two best bets may be console games not hooked up to the Internet and all types of fantasy games. The

networks reach only online games, leaving games played unconnected out of their grasp—although some games may still contain static ads.

Similarly, because fantasy games like Halo and Doom don't resemble real life, it is difficult to put unobtrusive ads in them. Their other-worldly landscapes make it harder to drop ads in. After all, where would you place an ad? On the side of the U.S.S. Enterprise shooting through the galaxy or on a dragon's wing as it soars overhead? Given the popularity of the Lord of the Rings movies, perhaps even Frodo's cloak could become a target in the future.

Nintendo ads target teenagers, young men

By **Associated Press**

Thursday, October 28, 2004

SEATTLE— The advertorials, not so subtly called "How to Score," will run in lad mags like Stuff and Blender. The television ads feature a sultry-voiced woman saying "touching is good."

The company behind this is Nintendo Inc., which has built its name in video games with such kid-friendly favorites as Mario and Pokeman.

The campaign is tied to the launch next month of the \$150 Nintendo DS portable gaming machine, which is being targeted to teenagers and young men.

It's a demographic Nintendo has been trying to entice for several years, and is more anxious to nab as competition heats up. Rival Sony Corp., which has already won older gamers, is scheduled to launch its PlayStation Portable in the United States next year.

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Speaking of video games ...

by Peter White <http://p2pnet.net/story/2823>

p2pnet.net News Feature:-

How video games became a dominant force in our culture and a magnet for advertising dollars

The headline above is a line from an Activision statement made this week about a deal, some experiments and a survey it has published, which are attempting to steal a march on the new industry of in-game advertising (IGA).

The Activision deal, whereby it plans to measure the audience responses to one of its games, with an online feedback loop, and partner with Nielsen Entertainment, is only one of two announcements this week, designed to begin the process of calibrating the effects of advertising in games.

The other is the final launch of the Massive video game advertising network, promised in May this year, finally up and running in 15 new games and will be in about 40 titles by the end of 2005

Both efforts target either 13 to 34, or 18 to 34, year old males, the most common gaming ages, and co-incidentally the age group which Nielsen lost 10% of in the last quarter of last year, as 10% of TV viewing hours in this age group simply evaporated, leaving Nielsen with some very unhappy advertising customers and a very red face.

At the time Faultline began to put forward its own models for advertising in games. Put simply, with the rise and rise of broadband lines and the use of them to play more and more online games with interaction with remote players, Faultline postulated a two way path, one to download new advertising material into games and another to send back accurate data about how many people, or what age group and buying demographic, saw how much of each advert.

It turns out that Massive (if it got the idea from Faultline it's welcome) has done just that, and its execution has been good enough to absorb some of the top game writing names.

Massive has already signed exclusive in-game advertising agreements with Vivendi Universal Games, UbiSoft, and Legacy Interactive.

The Massive network is rather clever and all it really required was that every time a gaming company wrote an advertising hoarding or a brand name on the side of an object within their game, it needed to store the graphical objects in a replenishable database, and then make that available to software written by Massive.

The Massive video game advertising network includes patent-pending ad server technology that allows ads to be dynamically served and customized within the context of the games, with no impact (hopefully) on game performance.

The massive agents running in the game can replace the objects with new ones of identical physical shape and size and texture and also count how long each of them remain on the screen. Some of this technology was acquired from US gamer, Acclaim Entertainment, before it filed for Chapter 7 bankruptcy in September this year.

Activision has now done (is planning) something very similar (could it be so identical that shortly we will be able to hear the patent infringement legal actions hitting the mat?) using its own watermarking technology. We're not quite sure why the watermarking is needed. Surely a program knows when it has called a particular object, but Activision is planning a detailed test using this technology.

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 over late 2004 to early 2005 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. The games will automatically return information to a central server whenever the PC is connected to the internet, and Nielsen Entertainment will collect and process the data on a daily basis.

Nielsen Entertainment will also conduct pre and post test surveys to understand perceptions of in game advertising, as well as the impact on brand awareness and recall.

Nielsen is desperate to get this right, since it has been under attack over TV advertising, where it holds an unofficial monopoly of TV ratings

data. It has built up the same business in internet advertising sites through Nielsen Netratings and now with a sudden shift to in-game advertising it feels it needs a handle on games if it is to maintain its monopoly position.

Now before everyone writes in and say that games have been carrying adverts for 15 years, we know. What is changing here is the attempt to categorically measure the outcome of the advertising, who it reaches, when it is played, how long for, does it change the game player's attitude in favor of the advertised brand and do gamers like the overall effect?

In the past advertisers had to agree to place adverts in games that they would commit to run for the lifetime of the game, perhaps years. The brand would stay in the game even if the brand changed slightly or it dropped a product line. Both of these attempts are aimed at making games fit in with a normal scheduled ad campaign. The Massive network will even deliver advertisers a specific number of "ad impressions," just like internet adverts, across a range of games and territories, times of day and demographics, just like cable TV and printed media ads can now.

The net results is that instead of just the \$79 million that Yankee says was spent on in-game advertising in 2003, this system creates the opportunity to build a multi-\$billion industry. Just how large though is a debatable point.

Researcher Yankee Group said this week that by 2008 in-game advertising will grow into just a \$92 million, with a further \$168 million from advergaming, the process of writing games specifically to promote products.

Faultline could not agree less. By 2008 there will be over 300 million people globally connected to a broadband line, and about 30% of these will be using that line for online IP driven entertainment. That means that they will either be watching TV programming that they select and pay for, and many will select not to watch TV with advertising in it.

The number of lost free to air and cable viewing hours will equate to something like a third of all TV advertising. As these formats offer less

and try to charge more, advertisers will be desperate for new and cheaper ways of building and maintaining brands. And Faultline has calculated that by 2009 something like \$10 billion in the US, and another \$10 billion outside the US, in advertising, will desert advertising TV services. This \$20 billion will be spent over internet advertising, IP TV advertising, and games. Much the same will happen to paid radio advertising as the satellite radio stations take hold but carry either no advertising or at least less.

All forms of advertising that make consumers stop what you are doing to watch the advert (TV and radio advertising) will go down, and all those that do not make them stop to exclusively view an ad, will go up.

Add to this the fact that game writing companies are plagued by under funding, poor returns, bankruptcy and excessive control by a handful of games publishers and you can see that there will be a deluge of games ready to sign up with either initiative (in-game advertising or adver gaming).

Accompanying the Activision announcement about its games test, it also partnered with Nielsen in publishing a report from research it conducted earlier in the year, but kept private until now.

The study took in how 500 males aged 13 to 34 interacted with brands when they encountered them within games.

All the usual things you'd expect to find, they found. Gamers were happy to interact in gameplay with something branded, some thought it enhanced the game, others thought that at least it made it seem more real.

The Activision/Nielsen entertainment study included participants who were randomly assigned to one of four study groups. Participants in the first group experienced a series of both high and low integrated ads, while those in the second group experienced only two low integrated ads. Group three saw no in-game advertising at all. And instead of playing video games, members of the fourth group watched an episode of a television show, during which they were exposed to traditional advertising. Nielsen then interviewed them all afterwards.

The two argue that effectively integrated ads gave a greater chance of brand recall, with 87% of research participants remembered seeing a high-integrated brand much more frequently than other less integrated brands.

This indicates that when a brand appears throughout a game, and gamers must interact with it, that it has a strong positive impact on brand recognition and recall.

Low integrated ads are things like Goodyear being written on bridges you drive under in a driving game, high integrated might be having your character buy and drink from a branded cola bottle.

We won't go into too much detail, except to say that we were not surprised, and yes game advertising will definitely work if their results are replicable. Faultline never doubted it.

Sony alone will ship something like 295 million games during 2004, probably something like 60% of the market or slightly more, making the market something like 500 million games globally. Perhaps half of these computer and video games will sell in America. Imagine advertising slots linked across all of them and the number of playing hours per week, and you can see that this market can only get bigger and bigger, far bigger than Yankee believes, and brands would be well advised to begin their utilization curves right now.

Peter White – [Faultline, UK](#)

Nintendo Says 'Touching Is Good' in Sexed-Up DS Ads

NEW YORK (Reuters) – Japanese game maker Nintendo Co. Ltd. (7974.OS) is sexing up its U.S. advertising to launch the DS handheld device, promising mature players that the gadget is not their little brother's

Game Boy.



The No. 1 maker of handheld game devices is spending \$40 million in its largest product launch, bracing for all-out war with Sony Corp . (6758.T), which is expected to debut a portable device soon after the Nintendo DS hits U.S. stores on Nov. 21.

But in an unusual move for Nintendo, known for games featuring animated characters Mario and Pokemon, the new ads aim to titillate with the tagline "Touching is Good."

Teaser spots start on Monday, playing up the dual-screen device's touch controls. A woman's sultry voice invites the viewer to come a little closer and get a feel.

"When you're a kid you're always told you can't touch anything," said Perrin Kaplan, vice president of marketing at Nintendo of America. "Touching is good. You're grown-up now, so read it how you want."

Nintendo spent \$27 million on U.S. advertising in the first half of 2004, according to TNS Media Intelligence/CMR.

In another departure, Nintendo will launch the model in the United States before Japan to capitalize on the earlier holiday shopping season. The strategy adds a positive marketing edge for U.S. gamers keen on a first stab at new gadgets.

Print ads appear in young men's magazines Maxim and Blender, with a buxom woman holding a DS model and advising, "How to Score! ... Start listening to her needs, playa!"

Longer television commercials will air from Nov. 18 on programs such as animated comedy "South Park." Publicis (PUBP.PA) agency Leo Burnett created the ads.

Industry analysts said Nintendo's ads should draw young adults who are keen on gadgets and the image they project.

"The Game Boy Advance has always been a kids platform," said Wedbush

Morgan Securities analyst Michael Pachter. “The DS is going to move up the age scale ... and they are going to put some more mature content on there,”

Nintendo’s aggressive pricing of \$149.99 for the new model is expected to be well below the cost for the Sony PlayStation Portable, which plays music and movies. But both are vying for a more upscale audience.

“Nintendo is differentiating products in a category they already own,” said P.J. McNealy of American Technology Research. “Hard-core enthusiasts will buy both (devices). The mainstream won’t until the prices come down.” (Additional reporting by Franklin Paul)

Ads get more play in video games

By MAY WONG

AP technology writer 10/24/04



SAN JOSE, Calif. – Roar down city streets in the upcoming “Need for Speed Underground 2” racing game and you’ll see a Best Buy store amid the skyscrapers along with bright billboards hawking Cingular Wireless, Old Spice, and Burger King.

The fictional landscapes of video games are increasingly being dotted with product placements, pitching everything from athletic shoes to movies. And that’s not all – advertisers will soon be able to update the

ads over the Internet whenever they want, long after the games are sold.

The plugs reflect a growing business reality – video games are stealing eyeballs from movies and television, where product placement has long been a staple.

TV viewership among men aged 18 to 34 declined by about 12 percent last year while that group spent 20 percent more time on games, according to Nielsen Media Research.

In the United States, overall sales reached \$10.7 billion last year – more than movie box-office receipts – and is expected to reach nearly \$16.9 billion in 2008, according to market research firm DFC Intelligence.

Revenues from game advertising worldwide are following the migration from remote control to joystick, expected to grow from \$200 million a year today to \$1 billion in 2008, predicted DFC's president David Cole.

Mitchell Davis, chief executive at Massive, developed the concept for real-time advertising in games more than two years ago after playing Grand Theft Auto. "It was all fake advertising in the game, and I thought, 'It should be real.'" If Massive's technology and service works as promised, Ubisoft and other game makers say in-game ads will inevitably mushroom and become a standard marketing method.

Next year, Vivendi Universal Games plans to introduce four games using Massive's advertising service.

"This will be woven into every major game company's plans moving forward, but it's really only going to work in games where it makes sense," said Ed Zobrist, global marketing vice president at Vivendi.

His company has turned away advertisers in the past – alcohol companies that wanted to be in the new Leisure Suit Larry game, and shoe companies that wanted fantasy characters to wear their treads.

"Real world brands just do not have a place in a fantasy game," Zobrist said.

10/20/2004 11:49:15 PM | Industry |

Activision and Nielsen Entertainment Announce Pioneering Test to Measure How Consumers Interact With Ads in Video Games

Activision, Inc. and Nielsen Entertainment today unveiled three new developments in their ongoing initiative, first announced in April, to develop standardized tools to measure the value of in-game advertising:

- The two companies announced that they are launching a groundbreaking test using the newly-released Activision video game, Tony Hawk's Underground 2 to determine how long and how often players interact with brands. The test will feature Nielsen's watermarking [technology](#) that uses audio encoding to uniquely identify when players are exposed to product placements within the game. While the test is initially [PC](#) only, Activision and Nielsen Entertainment are in discussions with the console manufacturers.
- The Chrysler Group will be the first advertiser to take part in the test. Activision and Nielsen Entertainment will measure consumer interaction with the Jeep(R) brand, which is integrated within Tony Hawk's Underground 2.
- Activision and Nielsen Entertainment presented the results of a major new study on the power of in-game advertising (detailed findings below).

New Study to Determine Player Interaction with Brands

Using proprietary methodology, Nielsen Entertainment and Activision will conduct a PC-based test to measure in-game product placement among a representative sample of active video game households. The test will incorporate a watermark – an inaudible audio code – that will identify how long and how often players are exposed to various products.

The test will take place over late 2004 to early 2005, during which Nielsen Entertainment will collect and process the data on a daily basis. Nielsen Entertainment also will conduct pre- and post-test surveys to understand perceptions of in-game advertising, as well as the impact on brand awareness and recall.

Robert Kotick, Chairman and Chief Executive Officer of Activision, said, "Companies are beginning to recognize the tremendous potential of in-game advertising. Our partnership with Nielsen Entertainment is aimed at taking video games to a new level as a mainstream advertising medium."

"When our established watermarking technology can be leveraged to advance the understanding of a new advertising medium, it's an illustration of the value our aggregated Nielsen Entertainment businesses can deliver," said Andy Wing, Chief Executive Officer of Nielsen Entertainment. "I expect the Activision/Nielsen Entertainment partnership will be a milestone in media history books; the chapter on how video games became a dominant force in our culture and a magnet for advertising dollars."

Michael Dowling, General Manager of Nielsen Interactive Entertainment, a division of Nielsen Entertainment, said, "Nielsen Interactive Entertainment is extending our leadership in measuring the interests and preferences of global consumers. This test is a milestone in our efforts to create measurement tools for advertisers who, increasingly, are interested in video game advertising as a means of reaching their target audiences. As this medium becomes ever more popular for the nation's leading advertisers, we are proud of our partnership with Activision and are moving closer to providing the industry with the standardized metrics to understand the value of in-game placement."

Chrysler Group is First Participant

The Chrysler Group is the first company to participate in the Activision/Nielsen Entertainment test.

The Chrysler Group's Jeep brand is prominently featured in Tony Hawk's Underground 2, the newest game in the award-winning Tony Hawk franchise. During the test, a watermarking code will be placed around the Jeep brand to determine how long, how often and even where in the game users are interacting with the vehicles.

Activision and the Chrysler Group also announced that the Chrysler brand will be featured in the life simulation game The Movies, from award-winning designer Peter Molyneux's Lionhead Studios, to be released in 2005.

Jeff Bell, Vice President of Chrysler and Jeep, Chrysler Group, said, "Video games are increasingly becoming the medium of choice for a new generation of consumers and Chrysler Group has been at the forefront of this exciting revolution. By teaming with Activision and Nielsen Entertainment, we are helping to take this medium to its next level."

Mr. Kotick added, "We are delighted to have a renowned company such as the Chrysler Group partner with us on the test, especially because its world-class brands can make the game experience even more relevant and more engaging. As a pioneer in in-game advertising placement, we understand that video gamers expect to see brands that lend credibility to the content and settings portrayed in our games."

Activision and Nielsen Entertainment Release New Data

Activision and Nielsen Entertainment also announced results of a new study that examined the power of incorporating brand name products within the video game experience.

The study, which was conducted among approximately 500 active male gamers ages 13 to 34, is an offshoot of an ongoing program of research by the two companies to investigate the

effects of video gaming on television viewing in the homes of young men. Among the study's key findings:

- Brands with which gamers must actively interact substantially impact consumer awareness and recall;
- These highly integrated ads tend to enhance a gamer's interest in purchasing the advertised products;
- In general, gamers perceive in-game advertising positively and believe it makes a game more realistic.

"The industry is starting to benefit from a philosophical shift – marketers are more willing to experiment with new ways to reach consumers that go beyond the traditional methods. This study shows how, if products are integrated effectively within a game, the impact and recall of that advertising is well received," said Michael Dowling. "As the entertainment industry continues to expand and evolve, Nielsen Interactive Entertainment will continue to pioneer this research to provide advertisers with the tools they need to effectively gauge audience recall and purchasing decisions."

Study Compares Various In-Game Experiences with TV Viewing

The Activision/Nielsen Entertainment study included participants who were randomly assigned to one of four study groups. Participants in the first group experienced a series of both high- and low-integrated ads, while those in the second group experienced only two low-integrated ads. Group three saw no in-game advertising at all. And instead of playing video games, members of the fourth group watched an episode of a television show, during which they were exposed to traditional advertising.

Effectively Integrated Ads Generate Greater Awareness and Recall

According to the study's conclusions, the more effectively an

ad is integrated within a video game, the greater a gamer's ability to recall that ad. In fact, 87% of research participants remembered seeing a high-integrated brand much more frequently than other less integrated brands. This indicates that when a brand appears throughout a game, and gamers must interact with it, that it has a strong positive impact on brand recognition and recall.

Moreover, although low-integrated ads did not generate the same degree of recall, many gamers still were able to remember such brands by name, suggesting that even appearing in background advertising may still impact consumer behavior on some level.

Recall of In-Game Ads Can Enhance Purchasing Decisions

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.

In some cases, brands that elicited significant recall in video games generated the same, or even higher, purchase interest than those products advertised via TV. These findings suggest that, not only does effectively integrated advertising have a significant impact on product awareness and recall – among those who actively remember seeing the brands advertised – but it also has the potential to increase interest in buying a product to a level comparable to television advertising.

Gamers Generally Perceive In-Game Advertising Positively

Of the male gamers who participated in the study, about 40 percent said that in-game ads made a game more appealing, and made them more inclined to buy the advertised product. Similarly, a solid two-thirds majority of active gamers reported that in-game advertising made a game more realistic, while nearly three in 10 noted that advertising in video games was more memorable than traditional television advertising.

What is more, more than one-third of participants agreed that in-game ads were more effective if they assist a game player in reaching a particular objective. This finding is consistent with the higher awareness, recall and purchase interest generated by high-interactive brands.

Study Methodology

The study was conducted between March 19 and April 4, 2004 with approximately 500 active male gamers in Las Vegas, Nevada. Participants in the study were males between the ages of 13-34 who play video games at least once a week for at least 15 minutes per session, have familiarity with the [PlayStation® 2 computer](#) entertainment system, and had very limited or no experience playing any of the three video games used in the experiment.

Advertising in video games to generate €200m by 2008 – report

20/10/2004 [by Leigh Phillips](#)

Video games will generate over €200m in advertising revenues by 2008, according to a new report from market analysts the Yankee Group. Some €74m of that will come from in-game advertisements and €134m from advergaming.

The video game industry is already a mass market comprising more than 108m gamers 13 years and older in the United States who spent €5.9bn on video games in 2003. By 2008, this market will grow to more than 126m gamers 13 years or older, generating in excess of €6.6bn in revenue. "Surprisingly, given the size of this market, video games have largely been ignored as a platform for advertising," said Michael Goodman, media and entertainment strategies senior analyst with the Yankee Group. "In 2003, marketers spent a paltry €63m on in-game ads and advergaming. Even if we add in the €360m to €440m spent advertising on game-related web sites, this pales in comparison to €33.7bn on broadcast TV advertising."

"That is about to change as advertisers realize video games are effective platforms for reaching consumers with their marketing messages. In this report, we examined video games as a marketing vehicle and how advertisers can take advantage of this opportunity," said Goodman.

By Jo Twist
BBC News Online science and technology staff

Advertising in video games is a lucrative playing ground for companies hoping to reach a captive audience who spend hours in front of titles.



Some gamers say ads make games more realistic

After a year of business, one UK company has announced it has reached more than four million people through its strategy of product placement in the booming games marketplace. In the next 18 months, it expects to reach almost 50 million.

Adverts in games have been happening for some time with the realisation that 18 to 35 year-olds are watching less TV. A quarter of US gamers have cut the time spent watching TV and a fifth more intended to, according to a recent survey. The concept is not entirely new, says Susan Kretschmer, academic and president of the not-for-profit organisation Partnership for Progress on the Digital Divide.

First appearing in the late 1980s, when Marlboro banners were displayed in Sega's arcade auto racing games, they have proliferated several genres via cars, billboards, and clothing. Studies suggest that 30% of in-game adverts are recalled in the short-term and 15% are recalled after five months, a figure unheard of in advertising, she says.

But the deliberate placement of particular products as part of the actual game play is increasingly common.

Tracking you
In Tom Clancy's Splinter Cell Pandora Tomorrow agent Sam Fisher has to work out how to use his Sony Ericsson P900 smartphone to progress.

This kind of strategy is set to grow with better performing next-generation games consoles coming out next year, Hive's Ed Bartlett told BBC News Online.

"Online has taken off in the current generation of consoles. With Xbox and PlayStation network adaptors, online has become a big fighting ground."



We come from a gaming background so we understand good game play. This is why we put them into the fabric in the game play. They enhance their game play experience, giving them tools for the game

Ed Bartlett, Hive

"The last 12 months has really seen it balloon. For next generation consoles, it will be even more so. Once tracking technology is developed, advertisers will have a better idea of how effective it is.

Nielsen Entertainment Media and Activation, as well as Elspa and Screen Digest, are working on developing trackers.

The technology will also track gamers' habits however, which many may not like the sound of.

"I am sure in the next generation there will be systems actually in the software and hardware," explains Mr Bartlett.

"The joy we have with video games is the common hardware - there are usually only two big players.

"The fact you have this hardware and everything is becoming networked we will have more gaming habits tracked automatically."

Games boost

According to Mr Bartlett, more advertising in games could mean games developers are more likely to risk trying something new. With the spiralling cost of games in time and money, publishers are staying with tried and tested formulas as well as movie franchises.

"At the moment, people are saying that games are becoming stale," he says.

"Because it is so expensive to develop a game there are lots of issues with publishers unable to fund the game which is why you have seen lots of high profile sequels or film games."

He adds: "If we can actually get more interesting games concepts to the market by bringing in more ads, we see it as beneficial to the gamer."

But coming from a games development background, Mr Bartlett is cautious about how this kind of interactive advertising should be used.

Working with games companies like EA, Atari, Sega Universal, Hive has an input into the product placement in which players interact with them.

"Billboards are great, but you can't interact with them. When a character drinks Red Bull in Worms 3D, they get a power up. They are able to jump higher," he explains.

Another game title Hive is working on involves the placement of a GPS product. The system will feature in an upcoming racing game. The improving quality of hardware and software means hi-res details of logos, buttons and controls can be replicated.

Welcome ads

One might think that gamers like to play to escape real world pressure, including the pressure to buy. But a survey by Nielsen Interactive Entertainment found that 70% of gamers actually liked in-game product placements, saying it made games more realistic.



Products integral to the game play are becoming increasingly common

"In terms of standard product placement in traditional video games, at present, there doesn't seem to be much backlash from gamers," says Ms Kretschmer. "Game publishers seem to be aware that they need to be careful not to offend or alienate players, especially since they are the ones paying as much as \$50 a game."

Mr Bartlett says this is something Hive has worked hard to encourage with their clients. But not all companies may have the same ideas.

"We come from a gaming background so we understand good game play. This is why we put them into the fabric in the game play, giving them tools for the game."

Not only are new consoles with new functionality going to boost this fertile area, but also the changing face of the captive audience.

The average PlayStation 2 player is in their 20s and more than 25% of UK's gamers are women, says industry body Elspa. Accordingly, advertisers have a far more diverse audience with a lot of spending power to reach.

Clothing brands are increasingly looking to the games industry to place their logos on shirts and jeans worn by skaters and snowboarders in games which attract women players, says Mr Bartlett.

With more gamers going online, the potential is there for ads to constantly update in real-time when ad campaigns change in order to sell ideas.

"Advertisers had to wait a year or more while a video game was developed and their investment was a permanent, one-time buy," explains Ms Kretschmer.

"Now, real-time ad-serving that allows games to show different ads to different people in a time-sensitive manner is becoming available."

Advertisers Eye Video Game Ads

October 20, 2004

According to the [Yankee Group](#), businesses will realize the relatively untapped potential of video games as a venue for advertising in the next five years, resulting in a tripling of video game advertising revenues.

The number of gamers ages 13 and over in the US stands at an already an impressive 108 million, but Yankee Group sees it rising to 126 million by 2008. Similarly, spending by this group will increase from \$7.4 million in 2003 to \$8.3 million in 2008.



As businesses start to tap into this market, Yankee predicts that video game-related advertising, including in-game advertising and advergaming (video games wholly designed with the intention of promoting a product), will reach \$260 million by 2008, up from \$79 million in 2003.



In-game advertising has already been seized upon by some companies as a viable medium. The *AP* reports that Daimler-Chrysler AG's Chrysler Group, maker of Chrysler, Jeep and Dodge cars and trucks, has increased its marketing budget for video game ads from 0% to 10% of the overall marketing budget for the division in the last four years. Jeeps have been featured in two Tony Hawk Pro Skater games, including the use of vehicles as obstacles in the game, Jeep billboards in game backgrounds and the offer of game upgrades on the Jeep Web site.

Advergaming has also been explored by some companies, such as the online travel Web site Orbitz. The company has had a long campaign of pop-under ads that feature simple games like mini-golf or a home-run derby. Winning the game sends the user to the Orbitz Web site. The games have proven so popular that Orbitz launched a separate site last year featuring all the games (eMarketer database subscribers can see our [interview](#) with Otherwise, Inc. Creative Director Mark Rattin, whose company created the

interactive ads for Orbitz).

Both Daimler-Chrysler and Orbitz have found success with video game advertising and have expanded their efforts, demonstrating that this medium can be viable with the right approach. Considering the size of the market, it's only logical that other companies will jump into "the game" with their ads.
