

# Playing with brands

November 2005, U.S. Results

## Engaging consumers with in-game communication

### Overview

The optimum role for a brand is to enhance a game's alternate reality which ultimately promotes the "escapism" that gamers seek.

One of the strengths of this medium is that when in-game placements are done well, these placements don't actually feel like advertising as gamers perceive them as a natural or expected part of the game.

Gaming offers the opportunity to connect with a traditionally hard-to-reach audience – young affluent males. Among U.S. gamers, game-playing is the fourth-most frequented "contact point" after television, surfing the Internet and listening to music.

The dramatic growth in on-line gaming enables constant refreshment of in-game placements, allowing brands to synchronize virtual communication with real-world campaigns. Brand-owners, however, should be wary of merely transferring real-world methods into game-worlds.

For genuine active engagement, brand-owners must consider exactly where and how their individual brands have permission to use an individual game for communication. Gamers "give permission" only for relevant involvements.

All games, in theory, are possible venues for brand placement. Brand communication, however, should be tailored to its exact position in or around a game.

**Playing with Brands is the latest wave of Sensor, Mediaedge:cia's on-going global study examining the status and future of different forms of marketing communication. This latest project was designed to help companies better understand the optimum role for brands within computer and video games.**

Our research examined players' attitudes towards gaming and in-game communication via structured blogs, and considered how brands can add to (or detract from) the gaming experience.

The purpose of this research was simple. We were not interested in how in-game communication can be used to reach consumers – this is already well known. We are interested in how it can best be used to create meaningful relationships between brands and consumers.

### The market opportunity

The gaming market and the communication opportunities it offers are growing dramatically. The global video game market is predicted to more than double in the next five years and the U.S. reflects equally strong growth, as Chart One shows:

CHART ONE

Global video game market by region – annual revenue outlook \$(millions)

	2004	2009
Asia/Pacific	10,086	23,087
U.S.	8,198	15,067
Europe, Middle East and Africa	5,980	14,312
Canada	611	1,307
Latin America	531	832
<b>Global Market</b>	<b>25,406</b>	<b>54,605</b>

Source: PWC, Global Entertainment and Media Outlook: 2005-2009

## Advertiser spending in the U.S. reflects a strong market

Overall, total U.S. video gaming ad expenditures are estimated at \$185.6 million for 2005.\* Specifically, spending is split between **adver-gaming** (games that are designed around a product and are made to promote it) and **in-game advertising** investments (reflecting products/brands placed in games, similar to the movie product placement process). Though adver-gaming accounted for over 70% of total video games advertising in 2004, the allocation is expected to equalize in 2006. From 2007, in-game advertising is expected to be the preferred format for video game investments. In comparison, traditional U.S. media expenditures for 2004 are over \$141,091 million, as reported by TNS-MI; and video game advertising is not reported by this major industry tracking service.

Though the most popular platform for games is still the PC offline [see Chart Two], the online gaming community is experiencing significant growth. Mobile phone gaming shows a great potential for growth as cellular phone penetration has already reached close to 80% of households and entertainment availabilities, including RSS/podcast and network/broadcast content, are on the increase. Interest in consoles is likely to also increase as the next generation of game boxes have just been introduced to the market and will be available this Holiday season for gift giving.

## Who's playing?

In the U.S., approximately 150 million people, or 63% of the U.S. population 12+, are defined as "Gamers"; and a gamer is anyone to have played a video, electronic or online

game, or having any game system. Although 90% of teens consider themselves gamers, they are outnumbered by adults by more than 6:1 (22.1 million teen gamers vs. 129.3 million adult gamers).\*\*

Although gamers can be found throughout the socio-demographic spectrum, one of gaming's great benefits to brand owners is its core audience – the otherwise elusive young, affluent male:

- There is a strong male bias among gamers (64% of males play vs. 36% of females).
- Gamers are of a younger age group (83% of 12-34's gamers compared to only 49% of over 35's). The majority (90%) of teens are gamers.
- Those with children in the household are significantly more likely to game than those without (and this is true on all platforms).
- Gamers are significantly more likely to have completed at least some college or graduate education (64%).

As Figure One shows [see bottom, left], the young adult age segments currently show a greater propensity to play, which declines with age.

On average, U.S. gamers play between 3 to 4 hours, over a week's period. To put this into perspective: for heavy U.S. gamers, who spent 11 hours per week playing games, gaming is the fourth-most-popular use of media entertainment in the last week, after watching TV (48 hours), surfing the Internet (29 hours) and listening to radio (18 hours).\*\*\*

\* Source: Yankee Group

\*\* Source: MRI Fall 2005 Adult and 2004 Teen studies

\*\*\* Source: Knowledge Networks, Media Scan, Spring 2005.

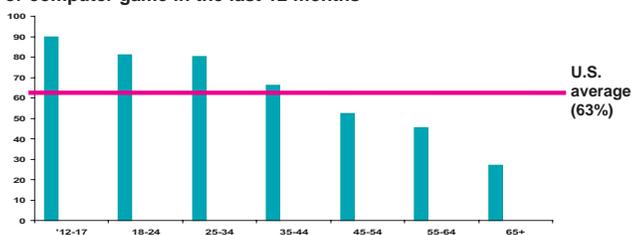
CHART TWO

Platform	% of U.S. gamers who used this platform in the last 12 months
PC (offline)	66%
Internet	58%
Console	54%
Mobile phone/organiser	31%
Handheld game player	29%
Arcade	21%

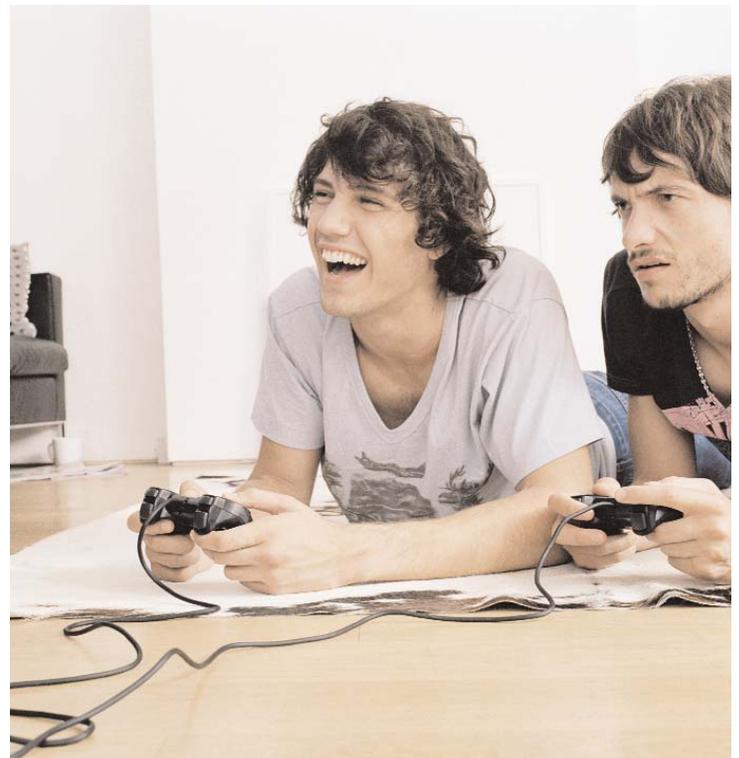
Source: Synovate Tele-nation survey 2005

FIGURE ONE

U.S. % of persons 12+ who have played video or computer game in the last 12 months



Source: Synovate Tele-nation survey 2005; MRI Teen Mark 2004, MEC estimates



The potential for in-game communication is further highlighted when video game reach is compared to that of more traditional media [see Chart Three below].

Games fall into a number of genres by platform. The best selling genres for video games and computers are shown below [see Chart Four below].

Additionally, the latest Top 10 video game titles ranked by total U.S. units for Q3 2005 are shown below in Chart Five:

### The challenge faced by brand owners

Video game business data begin to illustrate the much reported opportunity to use an exciting medium to communicate to different audiences, particularly audiences traditionally regarded as "hard-to-reach". The data also begin to identify some of the strategic marketing challenges of using in-game communication. Moreover, with advertisers recognizing a growing need for true interaction between brand and consumer, using games simply to "reach" or interrupt people cannot be regarded as an effective use of a channel with such potential.

Today's consumers, empowered by a free-flow of information, are increasingly well-informed and share their experiences (both good and bad) in communities (both actual and virtual) that form around brands. It is no longer safe to assume that people will listen to what brands have to say at a particular moment, simply because they might

generally be interested in a product or service. For truly effective communication, people need to be actively engaged by communication that they control. And gaming is a highly engaging medium that offers brands a platform to create just this sort of communication.

### Gamers react positively to in-game advertising

Heavy emotional investment in the game itself does not seem to pose any negative barriers to acceptance of advertising. In fact, most gamers have positive attitudes towards in-game advertising (according to 2004 Nielsen Entertainment study conducted on 13-34 year old male gamers):

- Heavy gamers have the most positive impressions.
- Male gamers claim ads make a game more appealing and realistic... especially if they assist a game player in reaching a particular objective.
- In fact, in-game ads have been shown to improve brand recognition and recall.
- A quarter of active gamers recall ads from the last game played, this is especially the case for heavy gamers.
- Highly-integrated ads tend to be even more effective.

Furthermore, in-game ad exposure leads to a greater likelihood of purchasing the brand.

(Note: comparable findings were reported in MEC's 2003 Sensor Study on Product Placement. The majority of consumers notice ads placed in TV programs and movies; and consumers were receptive to advertising that fits with the TV show and movie.)

Overall, attitudes about in-game advertising were remarkably similar across countries.

### Brands have permission – but not an all-areas pass

**I do not mind advertising in video games, as long as they do not detract from the gaming experience itself.**

**U.S. respondent**

CHART THREE

Media	Average Daily Cume Reach % (P12-17)	Average Daily Cume Reach % (P18-34)
TV	94	88
Radio	74	72
Internet	51	55
Videogames	46	20
Magazines	37	23
Newspapers	34	33
Yellow Pages	8	19
Cinema	1	0

Source: Media Scan Spring 2005

CHART FOUR

Best Selling Video Game Genres	% of Mkt	Best Selling Computer Game Genres	% of Mkt
Action	30.1%	Strategy	26.9%
Sports	17.8%	Family and Children's	20.3%
Shooters	9.6%	Shooters	16.3%
Children & Family Entertainment	9.5%	Role-playing	10.0%
Racing	9.4%	Adventure	5.9%
Role-playing	9.0%	Sports	5.4%
Fighting	5.4%	Action	3.9%

Source: The NPD Group/NPD Funworld

CHART FIVE

Top 10 Video game titles ranked by total U.S. units quarter 3 - 2005

Rank	Title	Release publisher	Date	ARP
1	PS2 Madden NFL 06	Electronic Arts	Aug-05	\$49
2	XBX Madden NFL 06	Electronic Arts	Aug-05	\$49
3	PS2 NCAA Football 06	Electronic Arts	Jul-05	\$49
4	XBX NCAA Football 06	Electronic Arts	Jul-05	\$49
5	XBX Halo 2 Map Pack	Microsoft	Jul-05	\$20
6	GBA Pokemon Emerald	Nintendo of America	Apr-05	\$35
7	PS2 Star Wars: Battlefront	Lucasarts	Sep-04	\$20
8	PS2 NBA Live 06	Electronic Arts	Sep-05	\$49
9	PS2 LEGO Star Wars	Eidos Interactive	Mar-05	\$39
10	GCN Mario Superstar Baseball	Nintendo of America	Sep-05	\$50

Source: The NPD Group / NPD Funworld® / Point-of-Sale



The good news is that gamers are giving clear permission for brands to appear within and around games but only where appropriate. This means that the brand can help players thoroughly immerse themselves in the game more, wherever and however.

In short, brands have limited permission to do certain things in certain places.

### Gaming's great benefit for brand communication is its intense consumer involvement

Our belief is that the most effective brand communication actively engages people – creating genuine interaction between brand and consumer. What gaming offers brands is the chance to interact with people in a highly involving medium.

*If I am playing a game I will not put my attention elsewhere. I am usually focused on my game and I don't have time to do anything else.*

**U.S. respondent**

It's true that, as with any medium, brands can use games to reach and interact with particular types of people. But the real challenge for brand-owners is ensuring that in-game communication only enhances gaming's involving experience (rather than interrupting it), and in so-doing, enhances people's involvement with their brand.

So how is this done?

The first step to understanding how a brand should behave "in-game" relies on understanding what it is that gamers want from games.

### Gaming's great benefit for gamers is escapism, within an alternate reality

Gamers all over the world are looking for the same thing: escapism – the opportunity to participate in an alternate

reality. Within this alternate reality, fundamental human desires are satisfied – the drive to explore, with the promise of reward.

But what does this mean for brands?

### The optimum role for brands: enhancing the alternate reality experience

The challenge for a brand wishing to involve players of a particular game is to increase, not reduce, the appeal of that game, which will be based on the basic drives outlined above.

Having questioned gamers around the world about their reactions to different types of brand involvement, it became clear that the optimum role for a brand within a game is to enhance the gamer's sense of escapism, by strengthening the alternate reality experience.

This is something that is specific to each game. In a car racing game, it could be as simple as an official real-world sponsor's logo on the side of a car; but a similar logo on a car in a role-playing game might be completely out of place.

*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.*

**U.S. respondent**

So for best results, this is something that needs to be considered on a game-by-game basis, to identify a role that is specific to a particular place in a particular game.

In order to do this, there are a number of areas that need to be considered.

### Advertising that doesn't feel like advertising?

*Product billboards in sports games and on racing cars...I guess wouldn't count because that is part of the sports game and not put in there to try to sell their product.*

**U.S. respondent**

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

Similarly, customization can be a powerful tool for increased engagement – allowing players to personalize their own in-game experience (such as choosing the strip (i.e., logo) their team uses in a sports game) involves them more deeply in the game, drawing them further into the game's alternate reality.

*I enjoy customization in games. It allows for one to get further 'sucked into the game' by allowing you to make a character/race a car/etc. that you would like to see.*

**U.S. respondent**

But these attitudes should not be interpreted as a willingness to accept advertising anywhere in the virtual world that we might expect to see it in the real world.

This is because the presence of "advertising" or brands do not, in itself, enhance reality.

It isn't the *advertising* that adds a benefit to a game – it's a brand's ability to boost the alternate-reality experience at a particular moment in a game. To do this requires dexterity from both advertiser and developer, but the acid test is that when done properly, in-game communication feels like a natural part of the game.

[In *Metal Gear Solid 2*, when you opened up the enemy's lockers, you could see FHM posters inside [featuring] beautiful girls in swimsuits.

France respondent

[In *Need for Speed Underground 2*...I can almost quote you every brand that appears on the edge of the tracks... You remember them clearly because you use them as markers ("in the one after Burger King, there is a shortcut").

Mexico respondent

It doesn't take away from game play, it's not distracting, and I always say to myself when I notice something like that, wow, they got the details down to the Coke can in the fridge!

U.S. respondent

So while some brand-placements can add realism to a game – and some genres lend themselves more naturally to this – there is a delicate balance between enhancing realism, and obstructing escapism. In-game communication should always facilitate escapism. The difference is perhaps between what looks like advertising and what feels like advertising.

### Don't assume that "real-world" creative will work within a game

In-game advertising firm Massive Incorporated has opened up a whole new world of 'suck' in the online game *Planetside*, rendering the game's sci-fi environment thematically useless.

Clickable Culture

To avoid disrupting gameplay or the in-game environment, communication should ideally be tailored to its exact position within a game. A creative and effective real-world campaign may well jar and disrupt a game whose environment doesn't reflect the world the ads were created for. Where possible, a game's designers should work with brand-owners to develop a brand's involvement.

### In theory, all games are possible venues for brand placement

Sports or racing games are the obvious example of environments where brand or product placement will easily fit.

Although it will be much harder to involve a modern brand in, for example, a sword-and-sorcery epic, in theory it's not impossible.

What is certainly true is that knowing that a particular audience for a brand can be found playing a game is insufficient information to allow the creation of effective communication.

I'd hate to be playing some shooter set in 2275 and see an ad for a 2004 Jeep Cherokee.

Gamer, Slashdot.org

The key is understanding the consumer and the game itself. The purpose and plot of a game, and the particular culture around it, must all be taken into account – in many countries, what happens around a game (such as the PC bang internet-café-like games venues culture in Asia) is as important as the game itself.

As with all forms of communication, relevance (to consumer, location, and occasion) is essential. Wizards with cola cans or aliens brandishing chocolate bars are almost certainly wrong.

### The golden rule: don't mess with the gameplay

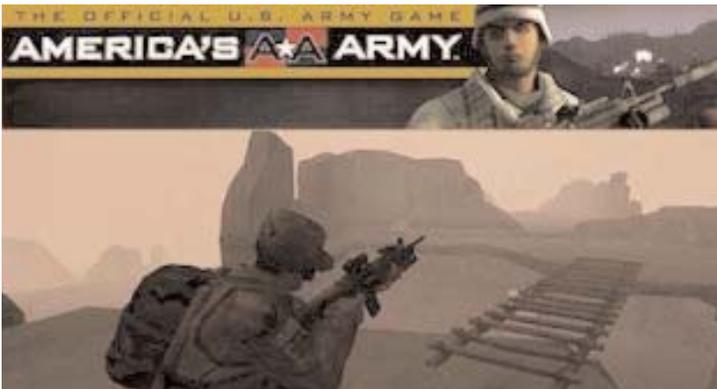
As long as the ad doesn't affect the game's function or integrity, and has not ruined the picture, then I'm happy to see the ads in games.

Taiwan respondent

It could ruin a game if in every scene the main guy had to describe a product. For example, if they ever did it in *Grand Theft Auto* and the main guy is like, "I never go out to kill some [%%^@#&] without my Red Bull energy drink." That could ruin a game because it disrupts game flow.

U.S. respondent





Gameplay is the essence of what makes a game good or bad: it is the basic experience of playing the game – graphics, plot and characters aside.

A brand's presence in a game should never interrupt, delay, or inappropriately alter gameplay.

When I play games on the Bian Feng network, many ads pop-up after you open the first window. I am never interested in these ads, and usually close them immediately. I'm sure other people do the same.

China respondent

I play a lot on pogo.com and I was so annoyed by the constant online spamming of advertisements that we finally agreed to pay for a membership so that we don't have to view the constant ads.

U.S. respondent

### Don't underestimate the power of play

Games present an excellent opportunity for some brands to allow potential purchaser to virtually "try" or experience their products, under conditions that wouldn't be possible in the real world. What is surprising, though, is the reaction that such trials can provoke – it seems that a product's in-game appearance can influence real-world brand perception:

Probably the first time a brand name affected me in advertising was when the original *Gran Turismo* came out. I'd never really heard of Nissan Skylines or Subaru Imprezas, but after playing the game I always saw these cars in awe, as the performance on the game meant they were now a desirable car for me in real life.

UK respondent

How many of you remember saying to yourself when you're playing a racing game that you'll probably get a Mitsubishi Lancer if and when you have the money because of how well it performed in the game?

Singapore respondent

I do, I confess, quote from Duke Nukem occasionally: "It's a good day to die." "Makin' bacon." "Ooh, who's gonna clean that up?"

U.S. respondent

### Brand placement is by game, not in "games"

[It is] meaningless to generalise about "game play" when there are thousands of games in dozens of genres. It is...equivalent to suggesting that all television programmes, radio shows, and movies are the same.

The Economist, August 6th 2005, p. 66

When considering the use of games to target an audience, it is unrealistic to generalize about players or gaming locations, and wide-ranging genres mean that each in-game opportunity must be evaluated on its own merits. "Games" are not a single communication-channel, and each in-game opportunity has to be evaluated on its own merits – similar to a product placement or sponsorship opportunity.

### "Advergames" are hard to do well... but there are alternatives

Advergames – games designed around a particular product or brand – are rarely well-received by gamers, unless they are developed to the same standards as regular games (e.g. America's Army). Because their main purpose is promotion, rather than entertainment, they can be poor at creating the required alternate reality, and this problem is compounded by the challenges of producing a game that offers the quality most gamers have come to expect.

Usually games created by companies to market themselves are not worth playing.

U.S. respondent

As development costs for ever-more impressive games increase, the costs for in-game involvement with major titles could rise dramatically, as a growing number of brands seek to place themselves in a declining number of blockbuster games that offer guaranteed audiences.

However, as gaming's appeal continues to broaden, other opportunities may arise:

There's not a lot I want to play right now... A lot of the games out there are just too long; if you're not interested in spending that time with them, you're not going to play.

Shigeru Miyamoto, Nintendo

Most women are too busy to devote 12 hours a week to gaming, so it will have to be gaming experiences that are shorter.

Kathy Vrabeck, President, Activision publishing

The games-development industry appears largely focused on "full-length" titles, but there is undoubtedly a growing need for games that satisfy the gaming desires of newer, less committed gamers, who may game during in-between times.

This sits well with how many gamers claim to play games in-between times, during down-time, when they're supposed to be doing something else (i.e. diversionary). If the games industry responds to this, development costs for shorter

games should be lower, which should present economical opportunities for brands to reach more targeted, non-traditional audiences.

However, the deliberate move to promoting shorter engagement times suggests a need for greater impact of in-game communication – something that would have to be carefully assessed to ensure compatibility with the in-game environment.

### ROI measures are not yet where they need to be

In spite of recent developments, effectiveness measures for evaluating many in-game opportunities are unfortunately still inadequate, with much evaluation relying (at best) upon the use of traditional measures (e.g. impressions/ opportunities-to-see) to evaluate games. MEC MediaLab will continue to explore the most relevant ROI metric for in-game communication.

## The Dos and Don'ts of in-game communication

### DOs

- ✓ Remember that brands only have permission to do certain things in certain places within games
- ✓ Consider how a brand's presence can enhance the alternate reality of the game (e.g. adding realism)
- ✓ Consider how a brand's presence can enhance the consumer's engagement with the game
- ✓ Consider how a brand can be involved in a game's 'reward-exploration' model
- ✓ Give players the opportunity to customize products in-game – to increase involvement
- ✓ Consider the relevance of the brand placement for the game
- ✓ Be prepared to be flexible with a brand's appearance or integrity, to ensure proper integration in a game and not damage the perception of alternate reality
- ✓ Work with a game's designers to develop a brand's involvement in a game
- ✓ Discuss ways of including actual products into the gameplay, to benefit from in-game perceptions of performance
- ✓ Evaluate each in-game opportunity on its own merits

### DON'Ts

- ✗ Interrupt, delay or inappropriately alter gameplay
- ✗ Interrupt gamers with communication that doesn't add to the game
- ✗ Assume that 'real-world' creative will work within a game
- ✗ Consider advergames as a cheaper way of reaching a gaming audience

This Sensor report was conducted by MEC MediaLab, Mediaedge:cia's consumer insight and ROI division.

Playing with Brands interviewed gamers online, using weblogs ('blogs') to record their opinions on a wide range of gaming issues.

Blogs were run in China, France, Germany, South Korea, Mexico, Singapore, Taiwan, UK, and US.

On-line recruitment was managed by Ciao research.

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