

fastforward 
Issue 4

In-game advertising





Introduction

Computer and video gaming is a big business. The industry is often said to be bigger than Hollywood, but that's not quite true. (In the United States, game sales totalled US\$7.4 billion in 2006, while box office takings totalled US\$9.5 billion, and both increased by 6%). Still, gaming is an activity to which many people devote serious amounts of time, effort and money. These people are often light consumers of media, and so are hard to reach with traditional advertising. Games, then, are a great way to communicate with an engaged, passionate and hard-to-reach audience. However, because gamers can be so passionate about their gaming experience, unwary brands can damage themselves by inserting messages too intrusively in a game, in an inappropriate manner. Advertising to gamers is an activity that should be approached with care.

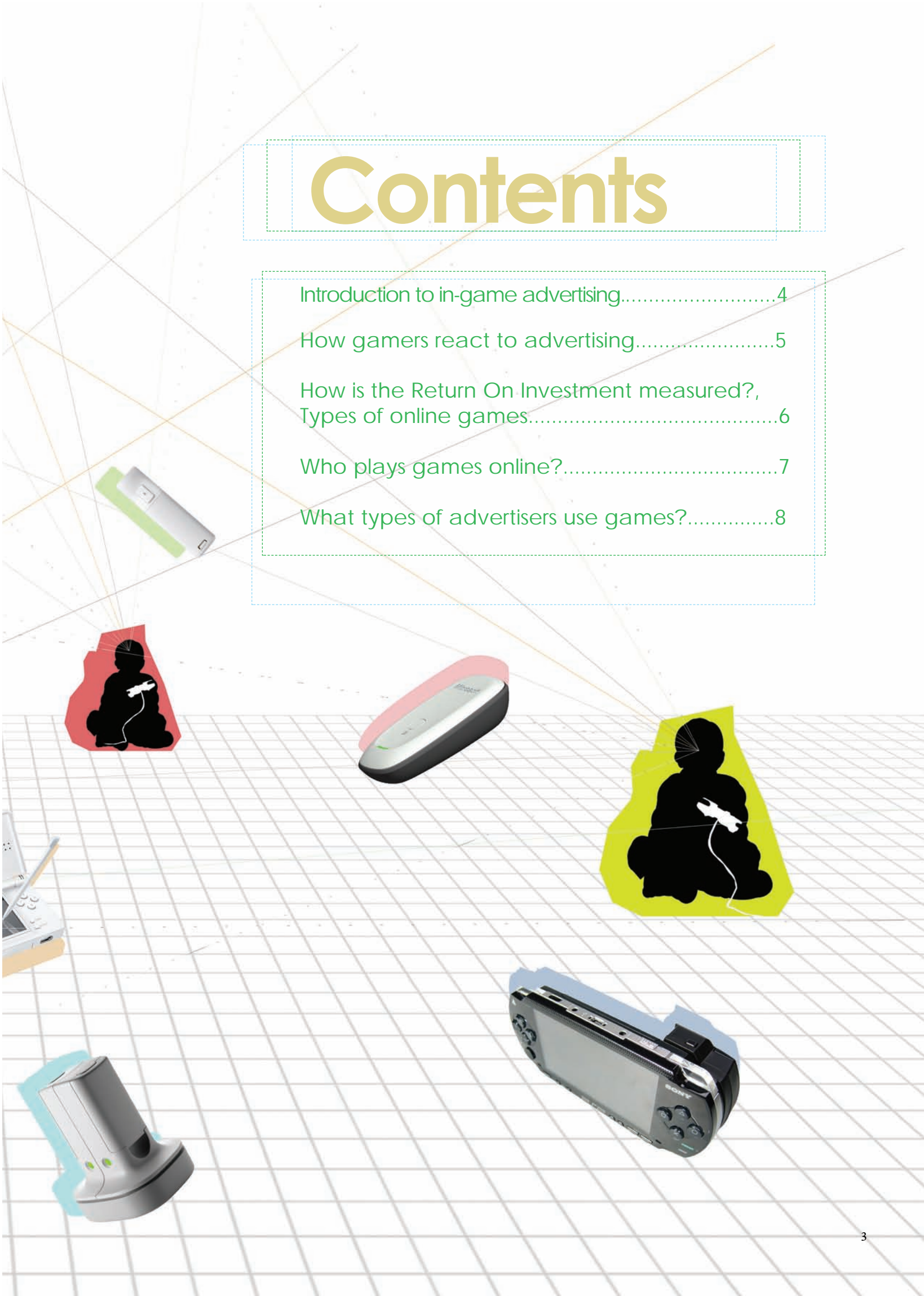
US market research group eMarketer estimates that US\$0.7 billion was spent globally on in-game advertising in 2006, and thinks this will grow by 140% to US\$1.7 billion in 2009. This represents 0.2% of total worldwide ad expenditure by our measure (in our Advertising Expenditure Forecasts) in 2006, and 0.3% in 2009. In-game advertising is small compared to most of the traditional media (except cinema advertising, which totalled US\$1.8 billion in 2006), but it is growing very rapidly across the world. For this fourth edition of Fast Forward we decided to take a look at how in-game advertising is developing in Asia Pacific, with the help of our local offices. We looked at China, already one of the largest advertising markets in the world and one that has huge potential for further growth. We looked at fast-moving Japan and South Korea, so often at the leading edge of technological change. And we looked at Vietnam, a representative developing market with a young population, where gaming is becoming part of mainstream culture. We have concentrated on how advertisers can use existing games to reach gamers; we have not touched on the related topic of 'advergaming' – designing new games specifically to promote a particular product or brand.

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Banner on loading screen



Introduction to in-game advertising

It has been possible to buy ads in video games for a few years now. However, until fairly recently these generally appeared only in a few games that simulated environments where ads would be expected to appear, such as racing games with race track posters. These ads would be put in position when the game was being produced - often some time before the game was available in shops - and then stay there over the game's lifetime.

Now that many people play games online it is possible to insert ads into games at short notice, and even create campaigns that integrate brands into the game-play. There are many ways of using online games to advertise to their players. We asked our local offices to describe the most common forms.

China: In-game ads can be simple text links or banners, like those that appear on websites. These can be placed on loading pages (which game players are presented with for a few minutes as they download the game), or as part of the playing area within the game itself. It is also possible to place video ads that play in the background of a game.



In-game banner

But it can be better to use product placement: to integrate the product in the context of the game. The product can be made into a tool that is used in the game, or it can appear in a dramatic scene. This avoids the hard sell and players are more likely to react to it favourably.

South Korea: In-game displays and in-game items are the two most common types of ads. In-game displays give exposure to an advertiser's products, and associate them with the game. In-game items are rewards that are given out as incentives to loyal gamers who have participated in promotions. The promotions themselves are good ways of engaging with gamers, and this engagement is reinforced every time a gamer uses an item they have won.

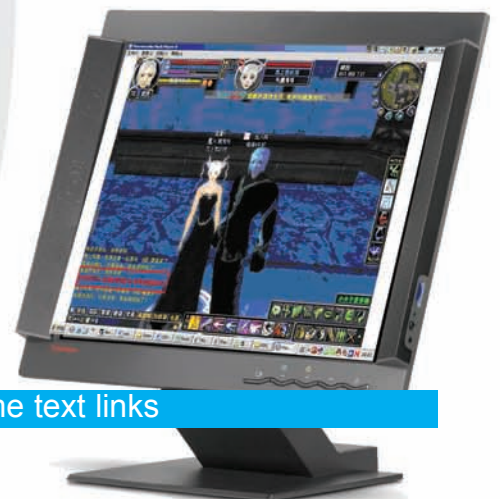
Vietnam: Some marketers have been known to extend their sponsorship of an online game by holding special events and promotions for players.



Sponsored in-game items



In-game video ad



In-game text links

How gamers react to advertising

In-game advertising works best when it is relevant to the game, when it becomes part of the game, and when it encourages the active participation of the gamer.

China: In-game advertising is a form of marketing to fans. Like sport marketing, it is a good way to forge a relationship with a group of consumers by creating an association with one of their favourite activities. The gaming environment is not as cluttered as websites, so ads are more likely to grab players' attention, and because players devote a lot of time and attention to games these ads are good at building awareness.

The best way to use games is not just to advertise, but to integrate the product into the context of the game in a clever way. If this is done well and it is fun, game players are likely to accept the product and interact with it, by 'eating' a branded hamburger in a virtual fast-food restaurant, for example. This works even better if the product placement is combined with a real-world campaign. For example, players can collect promotional points from soft drink cans, and then use these points to get special items in the game. Or players who complete certain tasks in the game have the chance to win a new laptop.

Even basic ads can do well in games, particularly since there are not many brands present in games at the moment and so there is little clutter. However, if the ad is not relevant to the game and gets in the way, it risks annoying the players.

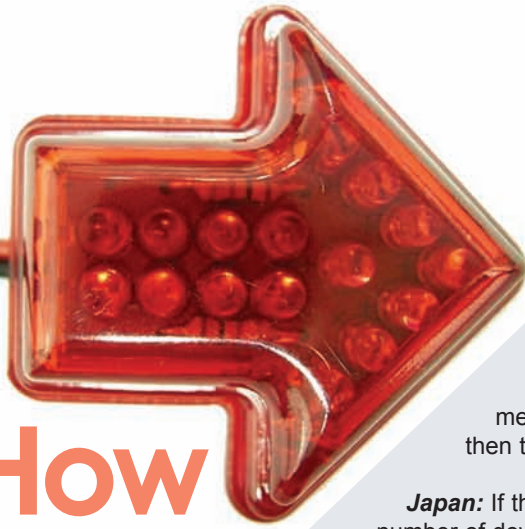
Japan: If the ad is simply a banner within the game, players may ignore it or resent it as an obstruction. Players are more likely to respond to an ad - such as by visiting the relevant website or requesting brochures - if the ad is related to the story of the game.

Creating incentives helps maintain the relationship between the ad and the game, such as offering discount coupons that give players bigger discounts for higher scores.

South Korea: Giving away in-game items or other rewards can be a very effective way to attract the attention of players and to strengthen the association between the brand and the game.

A great example of effective in-game advertising was a partnership between a soft drink brand and Kartrider, a very popular racing game. As well as in-game displays and in-game items, the campaign introduced a whole new race track designed to display the advertiser's brand.





How is the Return On Investment measured?

China: Text links or banners can be tracked in the same way as similar ads on websites: by measuring the number of times gamers see an ad (the number of impressions) or the number of times they click on it. The cost per impression or cost per click can then be compared with other forms of digital advertising.

Product placement is more difficult to evaluate. If it involves an in-game item, then the number of times that item is used is one measure of its effectiveness. If it involves a promotion, then the number of people who participate is another.

Japan: If the game is the downloaded type, then its value can be measured by tracking the number of downloads, the duration and frequency of play, and by monitoring the actions players take after they have finished playing.

Types of online games?

MMORPGs: Massively Multiplayer Online Role-Playing Games.

These are games in which players (potentially many thousands of them) assume the roles of fictional characters and control their actions, and interact with each other, in virtual worlds. Players normally devote a lot of time to developing their characters. Examples include World of Warcraft, Fantasy Journey to the West and Legend of Mir 3.

Casual/lobby games: Games that players can play quickly and casually against one or more other players, often after logging into a 'lobby' website that matches opponents together for a short game. Examples include Kartrider, Audition and BnB Adventure.

Battle games: In these games, players take control of virtual armies and fight battles against each other, for example Starcraft and Warcraft3.

Chess and card games: These are simply online versions of traditional games.



Who plays games online?

The most developed gaming market is South Korea, where more than a third of the population plays online games. China has the most gamers, however, and the most potential for growth, since these gamers represent only 4% of the population. As you might imagine, teenage boys and young men are the keenest players of games, but plenty of women and older people play too.

China: According to the latest survey by I-research, there were 46 million online gamers at the end of 2006. This was 34% of internet users but only 4% of the total Chinese population, so there is plenty of potential for growth. The number of gamers is growing at 20%-33% a year.

83% of gamers are male, and young men - particularly students - are heavily represented. 33% of gamers are aged between 19 and 22, and 32% are students.

On average gamers spend about RMB40 (about US\$5) a month on their hobby - on subscriptions, customised items and so on - and devote about six hours a day to playing. This is more time than they spend on any other form of media, such as watching television.

Japan: About 30 million people play games online in Japan. That's about 35% of internet users and 13% of the total population. Those who play games include not just young men, but also women, the middle aged, and families. Men spend the longest playing (more than an hour a day on average), while teenagers and women in their forties spend the shortest time (less than 15 minutes a day).

On average, players perhaps spend about ¥400 (US\$4) a month playing games on their mobile phones, and about ¥2,300 (US\$21) a month playing games on their PCs.

South Korea: According to Koreanclick, 17 million people played games online in March 2007. That's fully 50% of internet users in South Korea, and 35% of the total population. The popularity of gaming seems to have peaked, however. In March 2005, when the craze for Kartrider - an online racing game - was at its height, there were 18 million players. At the moment the number of players is stable, if not in slight decline.

The average male player is aged between 25 and 34, while the female players are aged between either 9 and 14 or 25 and 29. Gamers play for an hour a day on average, and spend Won 7,000 (US\$7) a month on their hobby.

Vietnam: The industry leader Vinagames estimates that 6 million people (mostly young people) buy pre-paid cards to play games online (40% of internet users and 7% of the population). This number has grown by about 140% over the last year, and is expected to continue to grow at this sort of rate for the next couple of years.

Gamer players are typically teenagers and young adults, who attend school or college.





What types of advertisers use games?

So far, the advertisers that have made the best use of in-game advertising have tended to be those that specifically target the sort of young people who are most likely to play games, or those that are associated with gaming. However, it has the potential to be of wider use for advertisers in general.

China: In-game advertising has mainly been used by some FMCG brands (such as soft drinks and contact lenses) and IT brands, which use it to reach the young gaming audience.

South Korea: So far the most successful in-game campaigns have been the soft drink partnership with Kartrider mentioned earlier, and advertising in a dance game by an instant noodle company. Its noodles were popular in the PC rooms where games are commonly played, so it had an obvious association with gaming.

Vietnam: Currently mobile and fixed-line telecoms companies are at the forefront of using online gaming.

On the face of it, in-game advertising seems most suited to brands that target the sort of people who spend the most time playing games: young people, who spend most of their time out of their house. However, these people should not just be targeted because they are the main users of particular specialist products; they are also very influential in forming others' opinions of brands, and they make up a large proportion of the adult population in Vietnam.

So in-game advertising does not have to remain the exclusive preserve of youth brands - mainstream brands can make use of it too.

If you have any questions or would like to discuss anything you have read here, please contact your local ZenithOptimedia office or Jonathan Barnard, Head of Publications (+44 20 7961 1192, Jonathan.Barnard@zenithoptimedia.com).

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