

Got game

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Inserting advertisements into video games holds much promise

Welcome to the future THEY are known to television executives as the “Lost Boys”—the generation of video-gaming young men who are watching less television and, thanks to ad-skipping technologies such as TiVo, even fewer advertisements. The obvious response is to start putting advertisements into games instead, by incorporating billboards into the game environment, for example. But incorporating static advertisements into games is unsatisfactory. Now that most PCs and a growing number of games consoles are connected to the internet, however, it is possible to update advertisements when required. As a result, static in-game advertisements are now giving way to dynamic adverts, which accounted for \$26m of the \$76m spent on in-game advertising last year, and will account for 55% of the \$182m spent this year, says the Yankee Group, a consultancy.

Even that projection is probably conservative, says Mike Goodman of the Yankee Group, since advertisers have yet to realise the full potential of dynamic advertising. As well as appealing to makers of fast-changing fashion goods, such as mobile phones and clothes, it also has huge potential for promoting films. Another possibility is to update the music in games too, and use this to promote new singles. Perhaps surprisingly, surveys show that gamers would welcome in-game advertising, at least in some games. Billboards look wrong in a Tolkienesque fantasy adventure, but they make sports games, or those set in urban environments, seem more realistic.

The technology is in place and the market seems promising. But advertisers also need to be able to measure the effectiveness of their campaigns. So next month Nielsen, the world's leading audience-measurement company, will launch a service called Nielsen GamePlay Metrics to provide precise statistics. With the old static approach, advertisers know little more than how many copies of a game have been sold. But Nielsen's new scheme will gather more detailed information and then report back via the internet.

It will be possible to determine, for example, whether players position themselves to see an advertisement more clearly; the angle and distance at which it is viewed; and whether the player pauses to look at it. Such data ought to be very attractive to advertisers. Jens Hofmann of Neue Digitale, a German advertising agency that will offer in-game advertising later this year, says advertisers will pay about €90 (\$122) for each 1,000 times an advertisement is viewed, which is about twice the going rate for static advertisements.

All this is good news for the companies that design and publish video games, too. Today's games can cost as much as \$20m to develop, and selling prices seem to have hit a ceiling at \$60 in America and £45 (\$90) in Britain. So extra revenue from advertising could help to pay for development as games become more elaborate and expensive. As a rule of thumb, game publishers earn about \$5 profit per copy sold. Static advertising typically provides \$1 of profit, but by the end of this year dynamic advertising could double that figure.

Dynamic advertisements also allow companies to reach more narrowly defined (and therefore more valuable) demographic groups. IGA, a broker in New York that places its clients'

advertisements into games, uses the internet-protocol addresses of players' computers to deliver advertising suited to their location. It can then place a French-language radio advertisement in virtual cars driven by gamers in Luxembourg, for example. Similarly, a promoter can publicise a band's concert tour in particular markets, and a pizzeria can buy advertising slots in the evening.

What's next? Jeffrey Chester, director of the Centre for Digital Democracy in Washington, DC, warns of a slippery slope towards “behavioural targeting”. In March details emerged of a patent filed by Shumeet Baluja, a researcher at Google, for a scheme to build psychological profiles of individual gamers. By analysing in-game behaviour it would assign players to categories such as “risk-taker”, “stealthy”, “non-confrontational”, “dishonest” and so on, enabling advertisements to be targeted accordingly. Google declined to comment, but furious bloggers denounced the prospect of “psychographic” rather than demographic targeting. Perhaps those bloggers will soon be offered in-game advertisements for soothing herbal teas and compilations of relaxing music.

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