



**Interactive  
Advertising  
Bureau**

# Game Advertising Platform Status Report:

**LET THE GAMES BEGIN**

October 2007



*The first in a series of papers that will lead the way to a vigorous  
and healthy industry with commonly adopted terminology,  
practices and standards.*

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## Executive Summary:

The Interactive Advertising Bureau, in association with the Games Committee, is pleased to introduce the first in a series of papers that will lead the way to a vigorous and healthy industry with commonly adopted terminology, practices and standards.

The report outlines a detailed overview of the various game platforms, primarily "console" and "personal computer (PC)/online" layering in the types of games that can be played on each. The differences that exist in the operating ecosystem for each platform are explained, as well, as a comprehensive exploration of the available advertising models and opportunities.

Even though Video Games are one of the fastest-growing advertising platforms in digital media today, there are still many components that need standardization. This report identifies potential areas for standardization including: impression measurement, audience metrics and further discusses the need to address interoperability issues as a way to extend advertiser campaigns across platforms.

Subsequent reports may address audience demographics and behavior, best practices and case studies.

## What is Game Advertising & Marketing?

### Video Game Market Overview

Video Games have emerged as a main-stream entertainment medium that generates worldwide revenues of about \$25 billion in hardware and software sales. Surpassing box office revenues, movie rentals, book and music sales, Video Game revenues reached \$12 billion in the US in 2006<sup>1</sup>. DFC Intelligence estimates that over 40% of households have a video game console system and that over 120 million people play video or computer games in the U.S. A growing number of these consumers are using their personal computers to play online games and these gamers are expected to reach 80 million in 2007 and up to 99 million in 2012. In addition, the number of Console/Online gamers is expected to reach 6.9 million in 2007 and up to 18.5 million by 2012.

The integration of online games across all hardware platforms has resulted in the emergence of advertising as a significant revenue driver for the games industry. Analyst predictions vary, but they all point to big numbers. Parks Associates believes overall game-related ad spending will grow from \$370 million in 2006 to more than \$2 billion by 2012<sup>2</sup>.

In-game advertising expenditure is widely expected to accelerate the fastest. Parks Associates predicts it will amount to more than \$800 million in spending by 2012, a conservative figure compared to Yankee Group's prediction that global in-game advertising spending will reach \$971 million by 2011<sup>3</sup>.

Projections for increased revenues could be well justified based on the results from a recently released study conducted by Nielsen Entertainment on behalf of Microsoft-owned in-game advertising specialist Massive Inc. The research showed average brand familiarity increased by 64% due to in-game ads on Massive's network. The study also found average brand rating increased by 37%, average purchase consideration increased by 41%, average ad recall increased by 41% and average ad rating increased by 69%.

This medium is ripe with opportunity for advertisers, however it is somewhat fragmented and can be difficult to navigate. Advertising opportunities may vary from platform to platform, and certainly demographics will vary based on platform and game type. A basic understanding of the game platforms and available advertising formats is now an important piece of mastering the Interactive landscape.

### Game Platforms & Experiences

Video games are played across three key hardware platforms: On consoles (such as Sony's PlayStation3, Microsoft's Xbox 360 and Nintendo's Wii), on PCs (either online or from games that are downloaded or bought on disk and installed on hard-drives) and on portable devices (wireless handsets and other small units such as the Sony PSP or the Nintendo DS).

While there are myriad types of games being enjoyed, it helps to categorize them by what we call "experi-

1. Wedbush Morgan Securities. "Entertainment Software Publishing and Retail Industry Report." May, 2007

2. Parks Associates. "Game Advertising Spending to Exceed More than \$2 Billion in 2012."  
[http://www.parksassociates.com/press/press\\_releases/2007/Game\\_advertising.html](http://www.parksassociates.com/press/press_releases/2007/Game_advertising.html). June 28, 2007.

3. Yankee Group. "Yankee Group Sizes the Global In-Game Advertising Market."  
[http://www.yankeegroup.com/press\\_release\\_tile18.jsp](http://www.yankeegroup.com/press_release_tile18.jsp). July 6, 2007.

ences.” In essence, there are two types of gaming experiences, casual and core/enthusiast. Casual games are targeted at a mass audience. They are easy to learn, fun (and often addictive) and can be played in a series of short time slices (15-30 minutes).

Core or enthusiast games are highly immersive, and often very realistic, titles with deep and extended game play. Core games are purchased either online or at retail and require a (often powerful) computer or console. Core games are played in sessions typically lasting more than 90 minutes. Some take more than 20 hours to complete and many feature structures that offer the gamer no real “completion” and can therefore be enjoyed for months or years.

The table below provides a basic overview and examples of the above mentioned types of games available across the hardware platforms.

**Table 1: Game Platforms & Experiences**

Experiences		Platforms		
		PC/Online	Console	Mobile
	Casual	Polar Bowler Bejeweled Diner Dash	Pac Man Geometry Wars Wii Sports	Black Berry: Brick Blaster Tetris
	Core / Enthusiast	World of Warcraft Runescape The Sims	Halo Grand Theft Auto Madden Football Zelda	Nintendogs Splinter Cell NBA 2007

The Casual Games market has grown hand in hand with the Internet and is now a significant genre within the electronic gaming market. Its usage and commerce models are often intrinsically intertwined with Internet technologies and consumption, with the bulk of the distribution and associated commercial transactions being done online. There are a number of business models in the Casual Games space including “Try and Buy,” Ad Supported Free Games, Subscription, Pay-Per-Play, and Skill Based (e.g. play for cash).

Core games are purchased either online or at retail and require a PC or console (specialized gaming platforms). Core games are played in sessions typically lasting more than 90 minutes. Some core games take more than 20 hours to complete and many have infinite gameplay. The mass Core Games market developed many years ago with the introduction of the first Atari systems, but gained huge popularity with the Nintendo Entertainment System (NES).

It should be noted here that increased household penetration of the next-generation game consoles as well as internet connectivity has fueled the growth of two advertising products: In-Game Dynamic and Product Integration (see Games Ad Unit Compendium).

#### **PC/Online Games - Operating Ecosystem**

The operating ecosystem for PC/Online games can be very complex and contains various entities, all of which play a different but vital role in the development, production and distribution of video games. These include: Game Developers, Publishers, Web Sites and Portals, Aggregators and Distributors, Platform Vendors, , Advertisers, Ad Agencies and more. For a complete listing, please refer to Appendix B.

In an environment as fluid as the Internet, these roles are sometimes blurred and thus confusing. For example, Publishers can also be Developers; Aggregators are sometimes Publishers; and many Publishers and Aggregators also offer their own websites directly selling their own games. Custom modifications are often needed by developers looking to distribute their games via portals as most portals have specific ad requirements.. As the PC/Online Games model further evolves, the industry will consider the establishment of standards and guidelines focused on alleviating the above operational inefficiencies.

#### **Console-Based Games – Operating Ecosystem**

The primary entities involved in the operating ecosystem for Console Based Games are different than those involved in the PC/Online Games ecosystem and include In-Game Ad Networks, Console Manufactures,

Game Publishers / Developers, Advertisers, Advertising Agencies, Content Licensors, and Consumers. For a more complete listing, please refer to Appendix C.

In-Game Ad Networks are unique to this platform and play a more extensive role when Console-based Games allow for dynamic ad serving. By combining games from many publishers, they allow advertisers to reach a wide audience across a network of games. Typically, In-Game Ad Networks work with publishers to strategically integrate advertisements into their games, and then sell the placements to advertisers. In this scenario, these networks are involved in the development and management of an ad serving capability, creative testing, sales and invoicing.

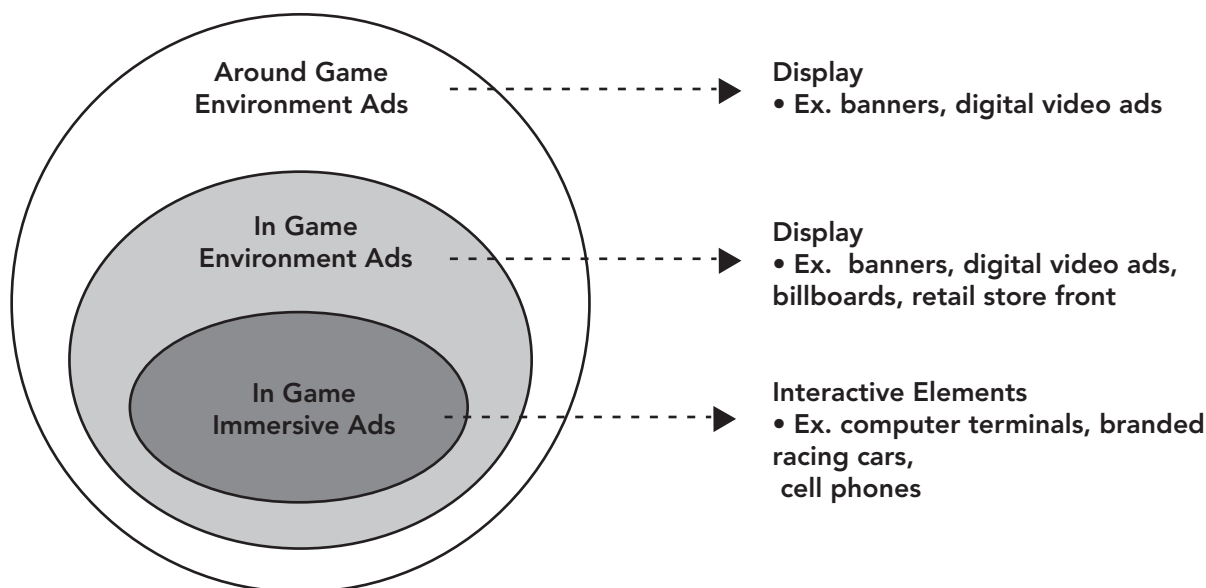
### The Common Thread – Operating Ecosystem

Direct involvement by advertiser clients is high for product placements that are built-in at the game-design level. Client involvement is much less common for online, impression-based deals which are primarily handled by media buyers and ad agencies. In general, game advertising is moving toward becoming a more agency-driven business.

### Games Ad Unit Compendium

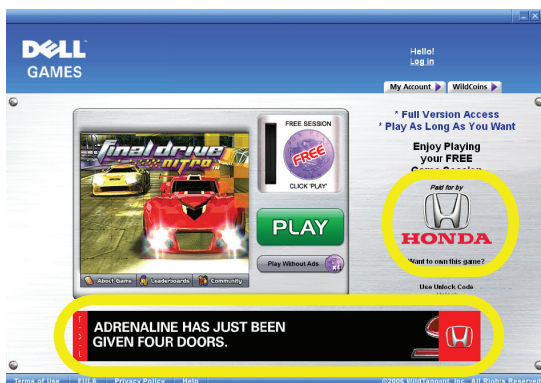
An abundance of advertising opportunities exist across the different gaming platforms (see Figure 1 below for a representation of ad placements). Generally, they are either in-game or around-game and can be further described as “environment” or “immersive.” Around-Game ads are displayed in conjunction with, or alongside a game while in-game ads are elements of the game itself whether by display or interactive in nature.

**Figure 1:** Game Ad Placement Types



### Around Game Advertising

Around-Game advertising simply refers to so-called traditional display or digital video units shown in conjunction with the game. These ads can be shown as companion ads, pre-rolls, inter-level, pre- or post-game, or even as “skinning” which brands the game play area but not necessarily the game elements themselves.

**Ex. Game Launch Window**

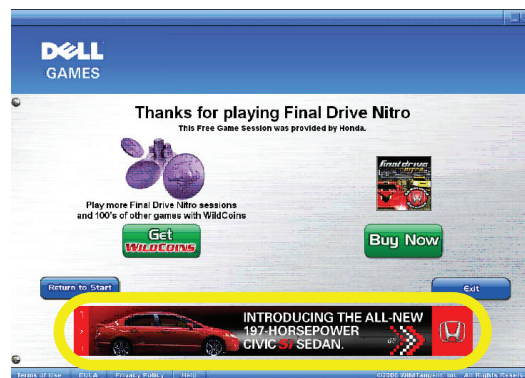
Source: WildTangent

Typically, web-based games are played within a “traditional” website environment where ad units can be displayed around the game window during gameplay. As mentioned above, digital video advertising can also run before a web-based game starts, or in-between levels.

On the other hand PC-based downloadable games are typically housed in an HTML environment and are played in full-screen mode. Advertising can be displayed both before and after gameplay, in the launch and exit windows, with digital video ads running while the game is loading. This format also allows for game patching, digital rights management, and commerce. (For a complete list of Ad Formats, please see Table 3 below.)

**Ex. Game Load Window**

Source: WildTangent

**Ex. Game Exit Window**

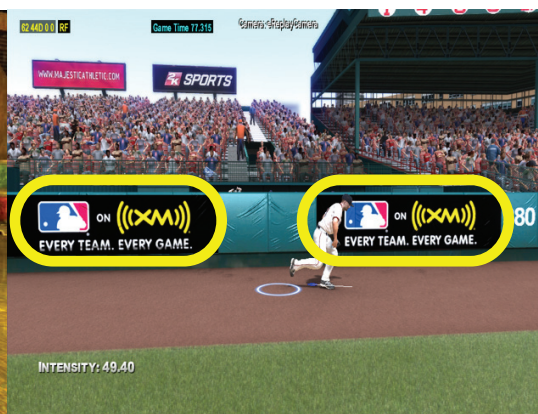
Source: WildTangent

**In-Game Advertising**

In-game ads can generally either be static or “interactive” in nature (see Table 2 for a list of in-game ad unit types). Static in-game ads are either 2-dimensional including billboards, movie posters or store fronts, or 3-dimensional, including the texture, shape and other physical properties of objects, such as cars, food items or sports equipment.



Source: IGA Worldwide



Source: Massive

Interactive in-game ad units can take on many forms but always include the taking of some action. This includes billboards which instruct the gamer to “click here,” computer terminals which instruct the gamer to enter a specific product code, and cars models which instruct the gamer to hop in and drive. Several events generally occur if a gamer chooses to interact with a given Interactive ad unit. For example, the billboard



creative could change to reveal an additional message, the computer monitor could display a URL with contest details, and the car could become part of the gamer's car inventory in the particular game they are playing.



There is also the opportunity to broadcast audio clips throughout certain locations in the game environment. Examples include songs at virtual concerts, PA announcements in buildings, and radio ads while driving a car.

**Table 3:** Around Game and In-Game Ad Formats

Advertising Format	Description
<b>Advergames</b>	Custom-made games specifically designed around a product or service (e.g. Burger King – Sneak King)
<b>Dynamic In-game</b>	Advertising elements within a connected game itself, that can be dynamically changed depending on location, day of week and time of day (e.g. vending machine fronts, billboards and posters)
<b>Inter-level Ads</b>	Display or digital video ads shown during natural breaks in gameplay, such as between levels (“inter-level”) or between rounds of play.
<b>Game Skinning</b>	Includes game sponsorship of display units around the game, and/or custom branding integration into the game
<b>Post-Game</b>	Ads shown following completion of the game
<b>Pre-Game</b>	Display or digital video advertisements shown before gameplay begins as the game is loading
<b>Product Placement</b>	Integrated brand messaging, sponsorship and/or products into a game (e.g. beverages, mobile phones and cars)
<b>Sponsorships</b>	Advertiser owns 100% share-of-voice in and around an existing game, such as sponsorship of a tournament, zone (level), or session of gameplay. Advertiser might also sponsor the release of new exclusive content associated with a game.
<b>Static In-game</b>	Advertising elements within a game that may not be changed. These may reside within game play itself or on menus, leader boards, etc. This type of ad format is also referred to as “Hard-Coded” advertising.

### Business & Inventory Monetization Models

Inventory management and pricing models within the Video Games platform are similar to those of online advertising, particularly in the need for aggregation networks and the reliance on impression-based pricing models. However, unlike the web, the game advertising value-chain includes additional entities such as game title developers, publishers and distributors. While these additional links in the chain may create a complex diversified revenue share model, they also create unique and powerful opportunities for advertisers. This is the only interactive platform where both hard-coding of ads and dynamically served ads can occur in a game. When in-game ads are hard-coded into the title; this can affect how and by whom the inventory is sold

as well as the counting of the ad unit itself. These types of placements have a lengthy and involved sales process due to the level of negotiation and integration required for the game production. In this case, the pricing model is closest to the notion of product placement or sponsorship where the brand is contextual to the game itself and is a constant element.

On the other hand, dynamically served ads can be forecasted, sold and accounted for based more closely on the internet. And like the internet, these ads are served based on targeting parameters including: placement within the game, time of day or year, demographics and more.

The basic pricing models include:

**Cost-per-thousand (CPM)** – Inventory is sold on the basis of “number of impressions delivered.”

No further action is required by the user/visitor to trigger the revenue event.

**Cost-per-click (CPC)** – A media company or search provider is paid only when the user/visitor “clicks” on an ad.

**Cost-per-action (CPA)** – Performance ad networks often use this model where the revenue event is triggered only when the user/visitor takes the desired action with the advertiser (i.e., makes a purchase).

**Cost-per-view (CPV)** – This relatively new model triggers the revenue event only when the user/visitor opts-in to view the ad, often by clicking on a prompt or “bug.”

**Cost-per-session (CPS)** – A session-based sponsorship where the user/visitor’s play experience is branded.

**Sponsorship** – The brand is integrated into the game environment. This type of model may also refer to fixed pricing in exchange for 100% share-of-voice and can give an advertiser particular visibility and advantage above that of run-of-site advertising. When associated with specific content, sponsorship can provide a more targeted audience than run-of-site ad buys.

## Challenges & Opportunities

### Operational Inefficiencies

There are many components of Game Advertising that have yet to be standardized, including creative units and ad impression measurement. While the platform is still relatively young, the IAB Games Committee recognizes the importance of simplifying the buying and selling process as an impetus for further long-term growth.

Currently in-game advertising uses a time-based measurement approach for several formats and based on this approach, networks and publishers may set threshold caps of exposure. For example, an impression may be defined as ten seconds of cumulative exposure to an ad format or element within a game session. In order for each one second to be counted, the gamer view must meet defined parameters for the angle of view to the ad in addition to the size of the ad unit on the screen. These parameters are designed to ensure that gamers are truly exposed to the ads before any impression is counted. Other measurement methods count “interactive impressions” once there is an interaction between the gamer and the Interactive ad unit. Neither of these metrics, albeit based on long consideration and research, has been standardized in the industry.

Finally, platform interoperability issues will need to be addressed. Games are often published on multiple platforms. To date, the various platform manufacturers have different publishing standards and many have not yet opened their platforms to a range of dynamic ad serving providers. This means that advertisers wishing to appear across platforms must contract with the publishers to hard code ads into each platform’s version of the game, or work with each manufacturer’s advertising system independently. This may create inconsistencies in how campaigns are currently measured across platforms

### Consumer Research

Current studies have revealed that 58% of Americans play some kind of computer or videogame<sup>4</sup>. However, further information about consumer demographics and engagement with the various advertising formats will

4. Frank N. Magid Associates. [www.magid.com](http://www.magid.com)



be needed as the medium grows in size and scope.

### Agency & Marketer Education

The IAB Games Committee is dedicated to providing agencies and advertisers simple yet comprehensive tools for understanding Games Advertising. The Committee will be looking for additional ways to educate the marketplace in the coming months including Roundtable Discussions and enhanced editions of the Marketer & Agency Guide to Online Game Advertising<sup>5</sup>.

### Who is the IAB Games Committee?

The IAB Games Committee is comprised of IAB member companies who are committed to promoting and improving the value of video games as an advertising and marketing platform.

Chair: Dave Madden, WildTangent

The Committee members span the range of players in the video game advertising and/or media ecosystem, and for the reader's convenience, we have listed them below by primary role. Please note that many companies may offer multiple services or business models.

#### Agencies

Agency.com  
Ignited  
Leapfrog Online

#### Ad Serving Technology Vendors

Akamai  
Atlas Solutions  
Eyeblander  
Exent Technologies  
Pointroll  
Viewpoint

#### Audience Measurement and Research Firms

comScore  
Dynamic Logic  
M:Metrics

#### Auditors

The AMC Group  
Deloitte & Touche LLP  
True North

#### Game Developers

Skyworks Technologies

#### Game Publishers

Electronic Arts

#### Lead Generation

Alansis Media  
Traffic Marketplace

#### Networks

Advanstar Communications  
Advertising.com  
AtomShockwave  
DoubleFusion  
IGA Worldwide  
Massive Incorporated  
RealNetworks  
WildTangent

#### Web Sites & Portals

AOL  
CNET Networks  
Comcast Corporation  
Google  
IGN Entertainment  
Microsoft Digital Advertising Solutions  
UGO  
Univision Online  
WeatherBug  
World Wrestling Entertainment  
Zango  
Ziff Davis

5. IAB. "Marketer & Agency Guide to Online Game Advertising."  
[http://www.iab.net/resources/resource\\_library.aspx?cat\\_id=6&sub\\_id=12](http://www.iab.net/resources/resource_library.aspx?cat_id=6&sub_id=12)

## Appendix A: Definitions & Nomenclature

**Brand Awareness** – Research studies can associate ad effectiveness to measure the impact of online advertising on key branding metrics.

**Click-through** - The action of following a hyperlink within an advertisement or editorial content to another Web site or another page or frame within the Web site.

**Contextual Ads** - Existing contextual ad engines deliver text and image ads to non-search content pages. Ads are matched to keywords extracted from content. Advertisers can leverage existing keyword-based paid search campaigns and gain access to a larger audience. 3rd party publishers receive a share of the revenue collected from the advertisers.

**Console:** A video game console is an interactive entertainment computer or electronic device that manipulates the video display signal of a display device (a television, monitor, etc.) to display a game. The term video game console is typically used solely for playing video games, but the new generation of consoles may play various types of media such as music, TV shows, and movies.

**Skinned Game** – Custom brand integration that can range from logos, watermarks, backgrounds, game name, and/or in-game images

**Rich media** - Advertisements with which users can interact (as opposed to solely animation) in a web-page format. These advertisements can be used either singularly or in combination with various technologies, including but not limited to sound, video, or Flash, and with programming languages such as Java, JavaScript, and DHTML. They may appear in ad formats such as banners and buttons, as well as transitionals (interstitials) and various over-the-page units such as floating ads, page take-overs, and tear backs.

**Roadblock** – Premium 100% share-of-voice rotation typically for one day or one week “aka. carpe diem.”

**Tethered** – Requiring the player to have an active internet connection to play. The connection may be used for multi-player sessions, for data tracking, or for license authentication.

## Appendix B: Key Players in the PC/Online Games Operating Ecosystem

**Advertisers** - Entities that target messaging or other content to consumers in order to achieve a desired result. Generally advertisers will supply ad content in pre-defined standard formats for easier integration.

**Ad Agencies** - Entities that represent one or more advertisers for either ad content creation or placement with Ad Service Providers (described below).

**Ad Service Providers** - An entity provisioning a stable of content from advertisers or ad agencies, and providing it for display around or within games, and usually sharing revenue or other value in exchange. This value can be based on metrics around the display of advertising, the results of displaying advertising, or other arrangement.

**Aggregator/Distributors** - The large number of developers and publishers in the market make it unfeasible for all but the largest Portals to deal with a large enough number of them to offer a wide variety of content to their consumers. Aggregator/Distributors provide a solution by handling distribution agreements with a large number of content publishers and providing a "one stop shop" catalog of content for Web Sites/Portals.

**Digital Rights Management (DRM) Providers** - In order to prevent unauthorized copying of game software applications, they are generally, when downloaded for local execution, protected with a DRM application layer. This DRM layer determines, based on some criteria, whether the consumer may access the content. While not a direct player in the advertising value chain, DRM solutions will need to offer the necessary authorization check mechanisms to allow for various business models.

**Game Developers** - Software development companies that create the game application.

**Game (Title) Publishers** - Publishers' primary business is that of bringing games to market. This may involve providing advanced funding to developers, assisting in development, marketing and demand creation, and finally delivery to market. Delivery to market may mean providing the game directly to Portals/Web Sites, or Platform vendors, providing the game to aggregator/distributors for distribution across their network of customers. Publishers having their own in-house development teams are sometimes referred to as developer-publishers.

**Platform Vendors** - A Provider of a Product or Service (often a combination thereof) that constitutes its own market ecosystem. A simple example would be a game console like Sony Playstation3 or Microsoft Xbox360. A more complicated example might be the mobile space, where a given Carrier's combined handset, operating system and software distribution service would together constitute a Platform.

**Third Party Ad Servers** - A technology vendor enlisted by the agency (or advertiser) to manage their campaigns across multiple game titles, networks and web properties.

**Web Sites and Portals** - A web site is, in this context, a venue on the internet offering games for play to consumers through some mechanism (e.g. free play, download, etc). A Portal is a website offering a variety of services to consumers, and generally having a very large number of customers.

### Appendix C: Key Players in the Console Based Games Operating Ecosystem

**Advertisers** develop, market and sell products / services. In the context of In-Game Advertising, Advertisers pay In-Game Ad Networks to deliver targeted ad campaigns that will reach the target demographic with key messages about their products and services. Advertisers will pay an advertising agency to buy time in an In-Game Ad Network and to provide the creative for the ad campaign. Examples of Advertisers include Coke, Intel, Discovery Channel and Wendy's.

**Advertising Agencies** are dedicated to creating, planning and handling advertising for their clients. In the context of In-Game advertising, advertisers buy ad space in the In-Game Ad Network for their clients and work closely with the network to ensure the right message reaches the advertiser's target demographic at the right time. Advertising agencies are typically responsible for providing In-Game Ad Networks with the creative that will be delivered into the games.

**Console Manufacturers** develop, manufacture, market and distribute video game consoles to the retail market. In the context of In-Game advertising, console manufactures own the platform and determine which In-Game Ad Networks can serve ads into the games that run on their console(s). Console manufactures are usually paid a royalty by the In-Game Ad Network based on an agreed upon % of revenue. Examples of console manufacturers include Microsoft, Sony and Nintendo.

**Content Licensors** generally own the legal rights to special content that is embedded in video games. In the context of In-Game Advertising, licensors are able to approve or reject certain advertisers or advertisements based on exclusive agreements with advertisers, preference. Licensors are usually paid a royalty by the game publisher based on the number of units sold. Examples of licensors include the National Football League, New Line Cinema (Lord of the Rings), Marvel Comics (Spiderman).

**Game Publishers / Developers** design, develop, market and distribute video games. In the context of In-Game advertising, game publishers own the game design, and work with In-Game Ad Networks to integrate inventory elements into games. Dynamic ads can't be delivered into a game until an agreement is executed between the In-Game Ad Network and the game publisher. Game publishers are usually paid a royalty by the In-Game Ad Network based on an agreed upon % of revenue. Examples of game publishers include Electronic Arts, Activision, Take Two and Midway.

**In-Game Ad Networks** contract with game publishers and/or developers to place advertising in their games. By combining games from many publishers, they allow advertisers to reach a wide audience across a network of games. Typically, in-game ad network providers work with publishers to strategically integrate advertisements into their games, and then sell the placements to advertisers. They work with the advertisers (or agencies) to ensure that the look and feel of the advertisements match those of the games and monitor the success of each advertising campaign. They manage the serving of ads into the games in the network, and bill the advertisers for the campaigns delivered, collecting the revenue they share with the publishers, console manufacturers and any content licensors depending on the agreements struck with each entity.

## Appendix D: Other Resources

**Casual Games Association** – [www.casualgamesassociation.org](http://www.casualgamesassociation.org)

**Entertainment Software Rating Board** – [www.esrb.org](http://www.esrb.org)

The Entertainment Software Rating Board (ESRB) is a non-profit, self-regulatory body established in 1994 by the Entertainment Software Association (ESA). ESRB independently assigns computer and video game content ratings, enforces industry-adopted advertising guidelines and helps ensure responsible online privacy practices for the interactive entertainment software industry.

**IAB Marketer & Agency Guide to Online Game Advertising** –

[www.iab.net/resources/resource\\_library\\_default.aspx](http://www.iab.net/resources/resource_library_default.aspx)

Presentational Guide to online game advertising, including demographics, advertising potentials, product placements and examples of in-game ads.

**International Game Developers Association** – [www.igda.org](http://www.igda.org)