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THE NEW GAME PLAN

With consumers increasingly finding ways to dodge traditional advertising, product placement and its modern day sequel – in-game advertising – are poised to become the media platforms of the future, says **James Grant Hay**.

Before you can sell your product, you have to sell an experience," write Al Lieberman and Pat Esgate in their new book *The Entertainment Marketing Revolution*. Richard Branson's recent foray into the film world of product placement for the Virgin brand in Warner Brothers' *Superman Returns* and this year's November release of MGM's James Bond spy thriller *Casino Royale* are cases in point. In an experience-based consumer culture, with record consumption of popular entertainment and information-based media, product placement and in-game advertising will provide the marketer with added proximity to reach the consumers of tomorrow.

Although product placement has occurred in the film business since the 1930s, it was not until the 1980s that the practice truly evolved into a fully-fledged industry. By the end of the decade all of the major Hollywood studios had opened departments specifically dedicated to product placement and it began to gain widespread recognition as a viable promotional medium. Until recently, its practice in the Australian film and television

industry has largely gone unnoticed. But that is all about to change.

The growing appeal of product placement in reality-based television programs such as *Big Brother* has spurred renewed interest in the practice by marketers and advertisers alike, intent on capturing today's fickle audiences. Despite the *Big Brother* censorship controversy in mid 2006 and mixed ratings of the series, marketers continued to be enthused with embedding their products in the show.

The trend towards product placement is now being driven by an increasingly fragmented media landscape, wherein the consumer has such a wide variety of available media to choose from that marketers must find new ways of communicating with their target audience. To achieve the same level of cut-through as 10 years ago, marketers will need to do much more than the traditional advertising approach in the future. In-game advertising in video games will be one of the many new media and marketing tools available.

In its 2006 new media report, US research firm PQ Media examined up to 23 alternative media, which included product placement and in-game advertising. The study found

that spending in the US on alternative media strategies in these sectors rose 16.4 percent during the six months to June compared with a 4.5 percent increase in spending on traditional media. That said, adjustments in how and where Australian advertisers allocate and spend more than \$20 billion annually on marketing activities will also need to be considered carefully.

Over the next 10 years technology convergence and media fragmentation will completely transform the way in which advertisers communicate with consumers and, by and large, those viewing experiences will be through non-traditional media. Such changes are already on us. The introduction of Personal Video Recorders (PVRs), Internet Protocol TV, video-on-demand, video iPods, mobile and wireless technology as well as advancements in digital home media software will enable consumers to personalise their media viewing habits like never before.



“ DYNAMIC IN-GAME ADVERTISING CAN DELIVER RICH AUDIO, VIDEO AND ADVERTISER CONTENT LIVE TO THE GAMING ENVIRONMENT IN REAL-TIME.

Enhanced advertising opportunities within Electronic Program Guides (EPGs) – the navigation menu found on some PVR devices – will also come into favour. EPGs will become more important as the content choice of consumers expands and with it new placement opportunities. ICE TV in Australia is currently rolling out its proprietary network similar to that of TiVo in the US, which will carry with it ad-server technology. This personalised view of the content world presents valuable advertising real estate and television commerce potential for product placement. Moreover the ability of viewers to select individual programs to their tastes will

also spur an increase in product placement. And if that doesn't jolt you, online video content search engines such as Google and Yahoo! will. If you're not careful, the medium itself will replace your message. This is why so much attention will need to be given by marketers to brand content association.

Traditionally, television advertising has been positioned adjacent to entertainment in order to capitalise on the audience the entertainment attracts. In the PVR age, the ability to now fast forward or remove ads, record and or time shift television programs to mass storage will undermine the scheduling power of networks before the end of this decade and with it the value of the 30-second spot commercial. Product placement aims to overcome this threat because the brand itself forms part of the entertainment.

The entertainment industry has developed program attributes to create productions that attract, engage and retain an audience. For advertisers, these formats not only create the opportunity to build an audience, but also communicate a more complex message than would traditionally otherwise be offered.

This is now being reflected in network ad packages locally with an expanded cross-platform inventory to meet the demands of television advertisers to include product placement components in program line-ups. Nestlé for example has been sponsoring Nine's *Talk to the Animals* with Purina brand product segments. The networks are also adopting the concept of quadruple play, extending the program experience with advertisers and audiences via the benefit of vertical integration across media assets. Seven's ad inventory for example can now include TV spots, print (*Pacific Magazines*) and online packages (*Yahoo!7*). Made to Order TV, a division of Seven, has also announced that it will produce 80 hours of advertiser-funded content this year to cater to the demand, such as *My Business*. Measuring the success of product placement in Australia are companies such as Repucom.

While the advantages of TV product placement may seem more apparent, the advantage of product placement in film is of course its reach, due in part to the ever-expanding global distribution channels of timed simultaneous release. The normal distribution for a studio feature starts with an initial high-profile domestic theatrical release on over 1000 and sometimes nearly 5000 screens in North America alone.

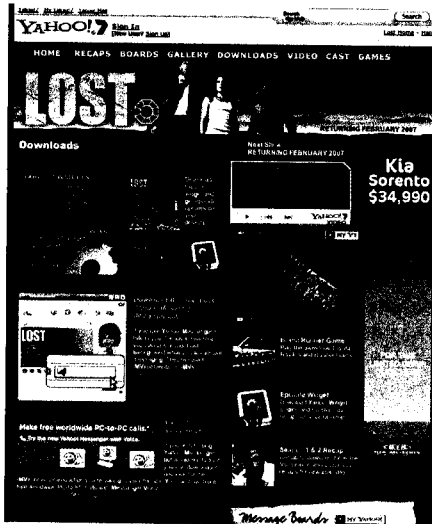
The domestic theatrical run lasts a few weeks to several months and studio films typically reach hundreds of millions of people worldwide. Numerous ancillary markets including DVD now almost immediately follow this: pay per view, in-flight, premium cable channels, mobile and finally broadcast television. Each of these distribution channels are further opportunities for the film to be seen and for the product placement to be observed which, in turn, increases both its reach and frequency.

Unlike commercials, which appear only during a particular program break and then vanish unless another fee is paid, product placement is embedded within the film and travels with it. The actual life of a placement, therefore, is extremely extensive and as long as people continue to view the film, the placement continues to receive exposure. A great example of this is FCUK's star placement in the opening credits of the 2004 British movie *Layer Cake*, starring 007 Daniel Craig. Watch it and you'll see what I mean.

While the penetration of PVRs in Australia may be slow, marketers and advertisers must not underestimate the more readily available software solutions of Microsoft's Windows XP Media Centre II (MCE), which when equipped with a compatible digital tuner card can receive and record free to air digital television while skipping the advertisements.

Producers of broadband content online will also be able to take advantage of the convergent technology trend of Internet Protocol TV (IPTV) which, under present Australian digital broadcasting structures, allows for the delivery of streaming media by embedding the transport streams of digital television with Internet Protocol (IP) packets. Already episodes of *Desperate Housewives* and *Lost* can be purchased online at a cost per unit, indicating a newly emerging on-demand business model.

Viewership of broadcast television programming among the coveted 18- to 34-year-old male demographic, however, has fallen in recent times. Increasingly, members of this demographic have shifted to playing video games. That video games and films may one day merge to become interactive dramas on screen is no fantasy. Video games overall can command an even greater mindshare of audiences than a compelling episode of *CSI Miami*.



In its June 2005 US report, Nielsen Interactive Entertainment recorded its analysis of average primetime usage data and found that video games as a whole received ratings among males 18 to 34 that were on par with or greater than three of the four major US networks and their affiliates. The report concluded that young men aged 18 to 34 spent as much time playing video games – 30 billion hours – as they did watching television.

While there were no comparable figures for the Australian market at the time of writing this article, Nielsen data revealed that from 4pm to 8pm weekdays, 18- to 34-year-old males are spending on average 4.3 hours

(out of a possible 20 hours) playing video games. From the start of primetime television on weeknights from 8pm onwards, males 18 to 34 spend an additional 5.1 hours on average playing video games during the five weekday evenings.

The reason for this shift in behaviour pattern is quite simple – fun. Video games are great entertainment and immerse users into an interactive universe. With the adoption of broadband internet now mainstream and available in most households, game play looks set to increasingly take place online.

In its 2005 to 2009 Global Entertainment and Media Outlook, PricewaterhouseCoopers forecasted that video games and the internet will remain the fastest-growing entertainment and media industry segments. With the advent of next generation game console hardware (such as Microsoft's Xbox 360 and Sony's PS3 and PSP Portable), this will lead to an invigorated new round of console game software spending by consumers worldwide. Wireless applications will also become important distribution channels for video games, with new generation mobile phones that will be used as much for entertainment as for communication.

According to the Coopers report, globally the video game market will expand by 16.5 percent and will be worth an estimated \$55 billion by 2009 driven by growth in the Asia/Pacific, the largest single market. With these forecast growth figures, the global market for advertising in video games could top \$2.5 billion worldwide by 2010.

From a practitioner's point of view, advertising in video games isn't like marketing in television or radio. Each video game title is a world unto itself and brands tend to be matched by genre or game title. Striking a relationship with an accommodating game publisher is one of the first challenges and not offending the gaming audience is another.

According to Nielsen's 2005 study, 70 percent of heavy gamers and 55 percent of active gamers said that the inclusion of real-world products makes games more real. So at least you know you are now welcome. Heavy gamers were defined as those playing at least 10 hours per week while active gamers were identified as those playing five sessions of at least 30 minutes per week. Striking a deal where advertisers pay for their products to appear while allowing the game developers some leniency in usage of the brand or product also needs to be taken into account. For example, in EA's arcade-style snowboarding game *SSX*, the environment includes panes of glass emblazoned with the *SSX* game logo.

Players could potentially steer their snowboarding character to smash through the glass en route while executing an aerial display for points. Instead of the SSX logo, those panes of glass could contain a Pepsi or KFC logo.

An example of a more involved scenario can be found in Take-Two's *Grand Theft Auto: San Andreas*. One aspect of the game involves making certain the character eats food in order to sustain player energy levels. What he eats will determine his body type. If he frequently dines on fast food, he will become obese. With that obesity comes rude commentary from female passers-by. Not surprisingly, the game's dining establishments include the fictional The Well Stacked Pizza Co and Burger Shot, rather than Pizza Hut or Hungry Jacks.

Of course fast food executives reading this may only find the negative in knowing a game character becomes obese from eating their food, but game publishers could theoretically sell them on the practice of visiting a restaurant in a game that will result in more frequent real-world visits by the gaming audience to their real-world fast food restaurants. With so many games now online-enabled, restaurants could simultaneously launch TV ads for a new menu item and allow it to be consumed at their in-game restaurant.

Until now, ads in video games have appeared only occasionally and rather haphazardly. Static in-game advertising or SIGA, which called for the advertiser to place its product, service or logo into the gaming environment shipped on its CD or DVD once permanently archived in the game is now being replaced with dynamic in-game advertising or DIGA. DIGA can deliver rich audio, video and advertiser content live to the gaming environment in real-time.

The DIGA technology will greatly enhance an effective in-game advertising model for marketers. Firstly, it will be key to calculate the number of hours gamers are playing on each title. The frequency and length that an ad, brand or product placement is shown needs to be tangible to advertisers before a value can be determined. With a shorter adventure game such as Ubisoft's *Prince of Persia: The Sands of Time*, gamers on average have spent fewer than 10 hours completing the title. With the almost infinite replayability of online sports titles, such as PS3 and Xbox 360 versions of EA's *Madden NFL 2005*, many gamers are likely to spend hundreds of hours over several months playing alone, with friends or against multiplayer opponents online.

One of the major global players carving out this model with a presence in the local Australian market is Massive Incorporated. Massive is a New York-based technology company that has created its own ad-serving network based on the DIGA model for advertising in video games. The network's technology automatically downloads advertising images after a gamer installs the video game on his or her PC. The game ships with the Massive (ad-receiving) technology. Ads can then be inserted and played online as well as games played on the user's PC. The Massive system can target campaigns geographically, by day parts, number of impressions served, reach and frequency.

When an image is presented to a gamer during game play, Massive's ad server records data from the game to determine if certain thresholds are met and whether an impression can be recorded. The server records the length of time an image appears on screen in accordance with those thresholds and aggregates the total time the gamer has been exposed to the image. One impression for

that campaign is then recorded in Massive's client database.

The company began the roll-out of its new system back in October 2004 when it signed deals with game publishers Ubisoft, Atari, Universal and Take-Two Interactive that enabled it to build its anchor and targeting code into the physical software of the games themselves. Massive and the publishers have entered into a revenue-sharing agreement. Advertisers pay the network on a cost-per-thousand basis. Massive provides its clients and agency affiliates with full metrics support and has recently added an in-game auditing service through Nielsen Interactive Entertainment in an attempt to standardise the measurement of gamers' response rates to advertising. So far, an impressive list of advertisers – including Coca-Cola, Dunkin' Donuts, Intel, Paramount Pictures, Verizon, Honda and Universal Music Group – has signed up.

Advertisers receive daily reports of audience data from the Massive Ad Server, which provide full insight into campaign delivery and facilitate the ability to adjust campaigns in real time. The Massive Ad Server will track a large number of data points that are compiled into standard daily reports to advertisers. Massive has a strategic partnership with Nielsen Interactive Entertainment, which will provide third-party measurement and accountability for advertising on the Massive Network.

Similarly, rival in-game advertising network IGA Worldwide, based in Berlin, has recently announced its own independent in-game advertising rating system for advertisers. Known as Gameasure, the third-party proprietary measurement currency is the brainchild of Interpret, the company responsible for the bespoke measurement of IGA Worldwide's extensive in-game ad network. Gameasure will rate duration, demographics, title, reach and depth of engagement metrics for IGA's supported game titles, providing advertisers, brands and game publishers with a new gold standard in which to measure in-game advertising effectiveness.

The announcement in May 2006 of Microsoft's acquisition of Massive Incorporated and Intel's subsequent investment in rival in-game advertising network player IGA Worldwide signals big things to come for the future of product placement and in-game advertising. ▶

David Koch, host of Channel 7's *My Business*.

