Games Advertising Ecosystem Guide:

Understanding today's game play, the core game types and advertising categories for marketers to reach consumers

December 2014

This document has been developed by the Game Advertising Ecosystem Guide Working Group, part of the Interactive Advertising Bureau's Games Committee, who worked to provide a concise overview of today's gamers and game advertising options.

The IAB acknowledges Sandro Camarao from MediaBrix, who chaired the working group effort to create this document along with leadership from the Games Committee co-chairs, Kym Nelson from Twitch, and Jack Koch from Electronic Arts with working group contributions from ad4game, Big Fish Games, eMarketer, IDC, Flurry and TreSensa. All committee members were invited to review and provide comment on the first draft of the document.

About the IAB Games Committee

The IAB Games Committee is dedicated to showing the value and scale of gaming as an advertising medium which is driven by engaging content and cross platform solutions. All efforts are centered on client objectives and needs which include creativity, scale and measurement. The complete list of companies represented on the committee can be found in the Appendix of this document.

This document is on the IAB website at: **www.iab.net**

About the IAB

The Interactive Advertising Bureau (IAB) is comprised of more than 600 leading media and technology companies that are responsible for selling 86 percent of online advertising in the United States. On behalf of its members, the IAB is dedicated to the growth of the interactive advertising marketplace, of interactive share of total marketing spend and of its members' share of total marketing spend. The IAB educates marketers, agencies, media companies and the wider business community about the value of interactive advertising. Working with its member companies, the IAB evaluates and recommends standards and practices and fields critical research on interactive advertising. Founded in 1996, the IAB is headquartered in New York with a public policy office in Washington, D.C. For more information, please visit iab.net.

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Introduction

With over **1.7 billion players worldwide*** and **195 million in North America*** alone, gaming has penetrated all demographic segments with multiple generations growing up playing games across multiple devices. With the growth of social media and the importance of earned media, the gaming experience has expanded further into a social experience that provides higher levels of engagement and brand impact. This paper provides an overview of today's game play with a summary of game advertising ecosystem, outlining:

- The evolving and dynamic gamer landscape and trends
- The two main categories of games that can be played across multiple devices
- The three types of advertising formats available to marketers and agencies with examples
- The most common performance models
- The most common revenue models
- The future evolution of game advertising

It is intended that this overview will be the launching point for deeper dives into the three types of advertising formats with buying guidance in subsequent reports.

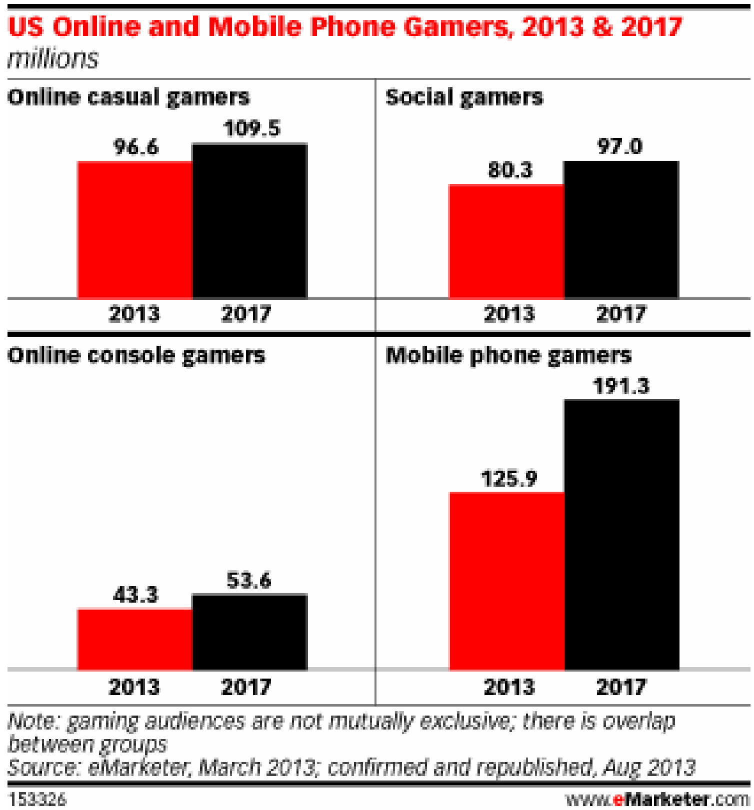
* Source: Newzoo Global Games Market Report 2014

Background

The Evolving and Dynamic Gamer Landscape

Game play dynamics have changed significantly in the past few years as a result of new technology, plus social and mobile adoption. It is important to understand the changing dynamics of both gamers and gaming to understand the advertising opportunities that games afford brands/marketers. Increasingly, savvy marketers put games in the context of highly engaging entertainment content that represents significant opportunity to engage a wide demographic target 24/7.

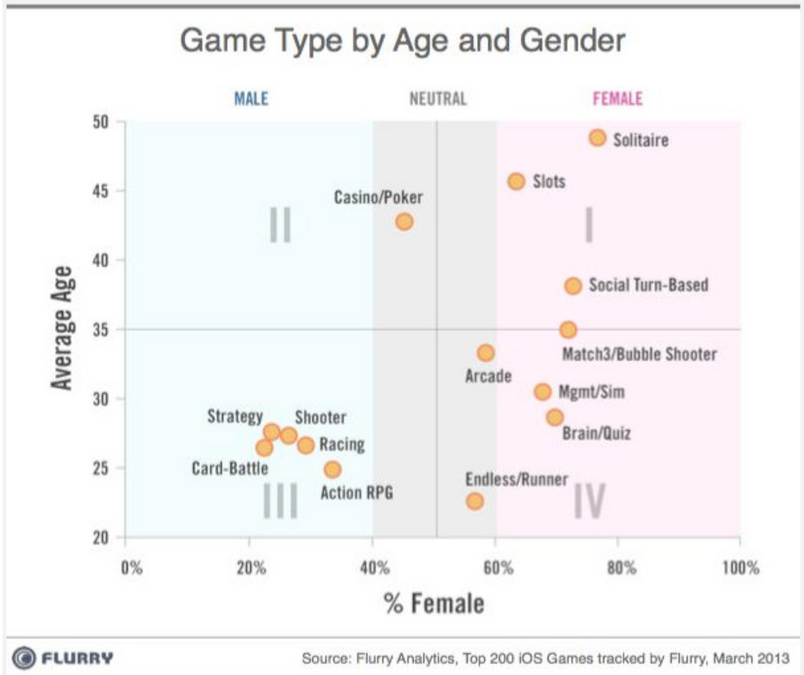
Focusing on on-line and mobile phone gaming, eMarketer data shows projected player gains among the four core segments of gamers: Online Casual Gamers, Social Gamers, Online Console Gamers and Mobile Phone Gamers, with the largest growth shown for mobile due to continued adoption of smartphones and tablets in the US. To put this in context, "By 2016, 80% of smartphone users will game on their devices."



Four Key Gamer Trends

The four key trends that have had the most impact on the gamer landscape in the past few years are:

Driven by mobile/social games, overall player demographics have changed dramatically. The gaming population is becoming more and more diverse, and developers – and brands - have taken notice. Per Flurry, "the most successful companies in the new mobile economy deeply understand consumer behavior differences by game genre."



Free-to-play business models have redefined the marketplace

Many games are now free to play or try. This has been a big shift away from games that were once only available for purchase or by subscription. This makes a greater variety of games available so players are now trying more and more games rather than sticking to one or two. It also means it's harder to retain players when the next "hot" new game comes around.

The free-to-play business model (aka freemium), where consumers download and play the "core loop" of a game for free, but then pay for virtual goods and currency through micro-transactions, is the most prolific business model in the new era of digital distribution.

Games are going more and more mobile

In the U.S., mobile penetration is 101%, meaning there is at least one phone for every American and game play on mobile devices continues to rise driven by smartphone adoption as well as accessibility of free games. Per eMarketer, it is projected that by 2017, nearly three quarters of all mobile phone users will use their phones to play games. This represents nearly 60% of the US population.

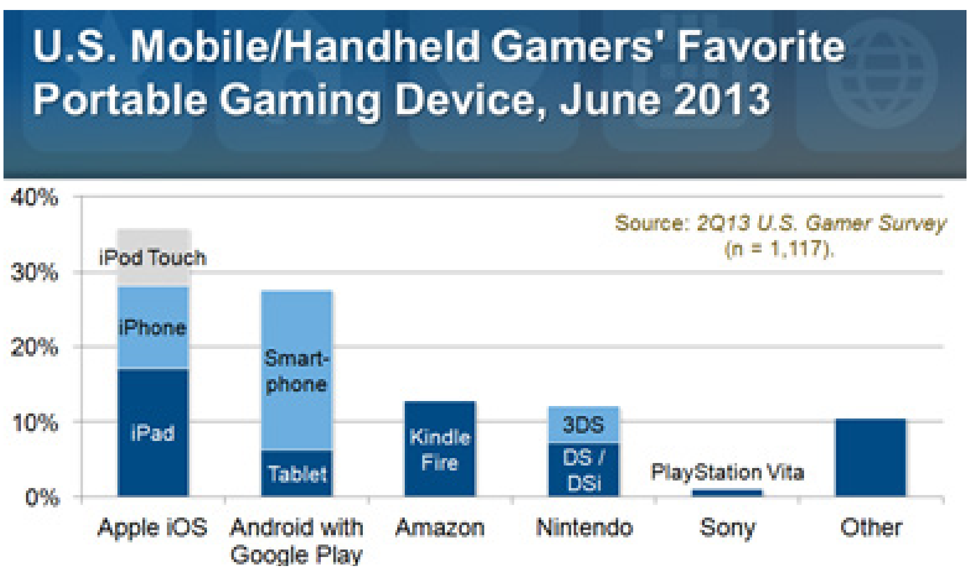
US Mobile Phone Gamers, 2011-2017

	2011	2012	2013	2014	2015	2016	2017
Mobile phone gamers (millions)	**80.7**	**106.3**	**125.9**	**144.1**	**162.4**	**177.7**	**191.3**
—% change	31.4%	31.7%	18.4%	14.4%	12.7%	9.4%	7.7%
—% of mobile phone users	34.0%	43.9%	51.1%	57.5%	63.9%	69.1%	73.5%
—% of population	25.9%	33.9%	39.8%	45.2%	50.5%	54.9%	58.6%

Note: CAGR (2011-2017)=15.5%; mobile phone users of any age who play games on mobile phones at least once per month; excludes preinstalled games on feature phones
Source: eMarketer, March 2013; confirmed and republished, Aug 2013

153327 www.eMarketer.com

When evaluating play by mobile device, we see the role that tablets play, noting variation by platform. Per the below data from IDC, nearly 50% of gamers' favorite iOS devices were iPads whereas the percentage of tablet use as a "favorite" was lower on Android. IDC points out that there are some significant demographic differences that exist across these platforms that are also important for marketers to understand (e.g., Household income is higher for iOS vs. Android, Kindle Fire skews female.)

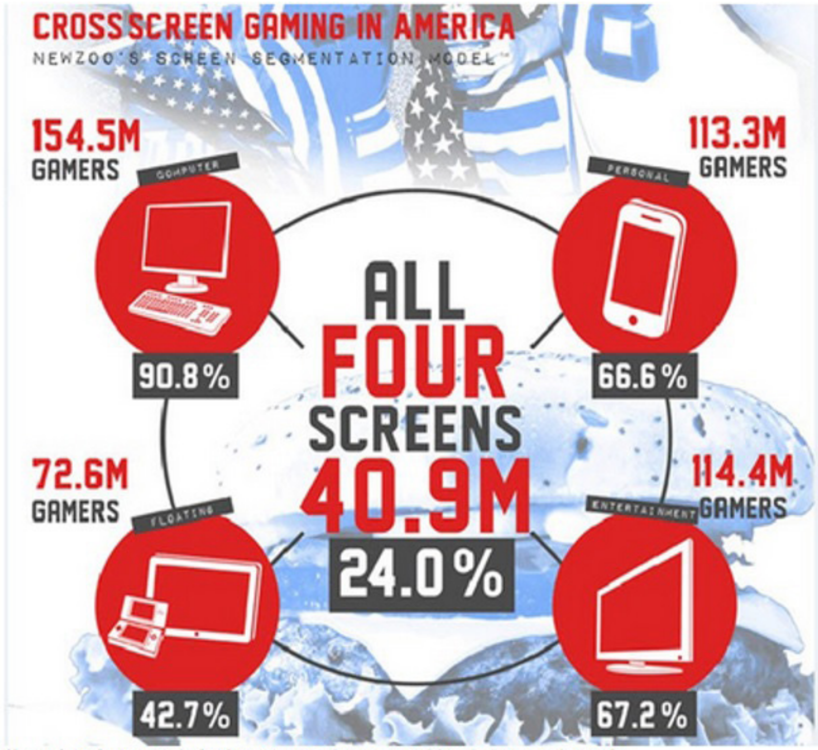


Source: IDC Study, n=1,117

The growth of cross-screen gaming and time spent on games continues to rise

Mobile is driving both growth and behavioral changes for game play. With mobile, time spent playing has grown significantly, as has cross screen-play and the shift has been dramatic. Per a Newzoo Study, over 40 million American gamers, or 24% of all gamers, play on all four screens: TV, computer, feature/smartphones and tablets/handheld consoles.

To build on this, Forbes Magazine notes that ‘The future of gaming isn’t proprietary hardware; it’s in user-choice and cross-platform playability’.



Above: Americans are playing lots on smartphones, portables, desktops and consoles.
Image Credit: Newzoo

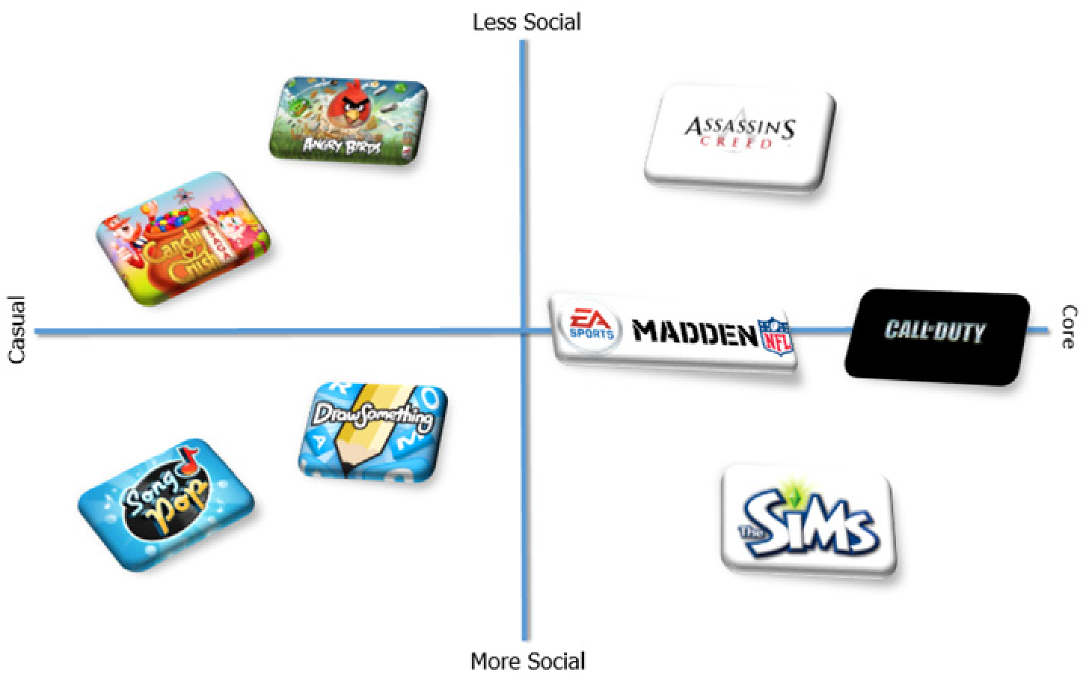
The Game Advertising Marketplace

The Two Primary Game Types

Games fall in mainly two categories that can be played across multiple devices. Each category provides vastly different experiences that usually attract distinct demographics.

Casual/Social Games	✓ Short, snackable games. Primarily 2D environments ✓ Mainly played on web, social sites and mobile/tablets ✓ **Demographic skews female** ✓ **146 million US players*** ✓ Highly fragmented due to low cost to produce
Core Games	✓ Immersive and/or realistic games that require long time periods to complete. Primarily 3D environments ✓ Mainly played on console and PC. Mobile/Tablet growing with better hardware ✓ **Demographic skews male** ✓ **119 million US players*** ✓ Low fragmentation due to higher cost to produce

The social aspect of gaming is important regardless of game type. When evaluating Casual vs. Core games, there is a spectrum of “more social” vs. “less social” games. This is an important consideration for marketers when determining game appropriateness for a brand based on strategic objectives.

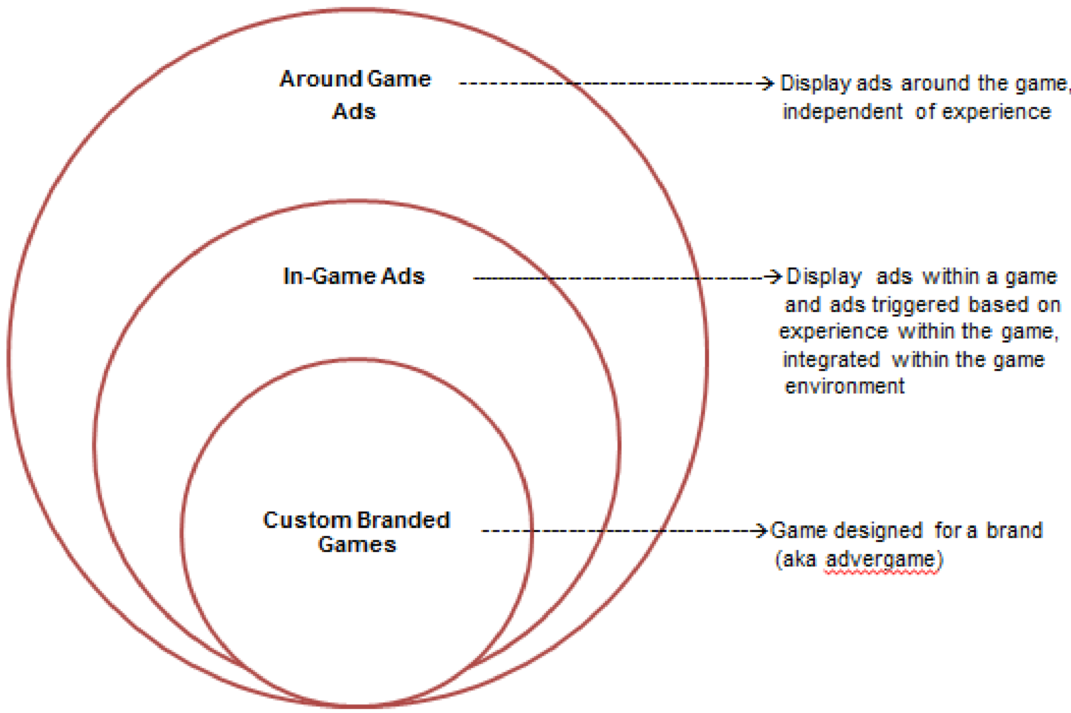


Source: Interactive Advertising Bureau 2014

The Three Main Game Advertising Types

The game ecosystem can be a tough one for brand marketers to navigate initially because it offers a way to reach a massive and engaged audience that circumvents issues prevalent in other forms of digital media - such as banner blindness and viewability. With offerings ranging from programmatic and RTB to deep integrations and custom branded opportunities, games provides a scalable way for marketers to finally think beyond just interstitials, banners, and pre-roll video ads, which users often ignore resulting in poor performance. On the contrary, games can deliver brands with some of the most innovative digital ads today such as units that can offer players rewards, value exchange video advertising, rich media creative, branded content and more.

Because games can be found on all platforms and devices, there are a great variety of ad opportunities and formats. The three main ways agencies and brands can get involved with games from less immersive turnkey around-game display ads, to more immersive and elaborate custom integrations - all which reach a fully engaged audience are:



Source: Interactive Advertising Bureau

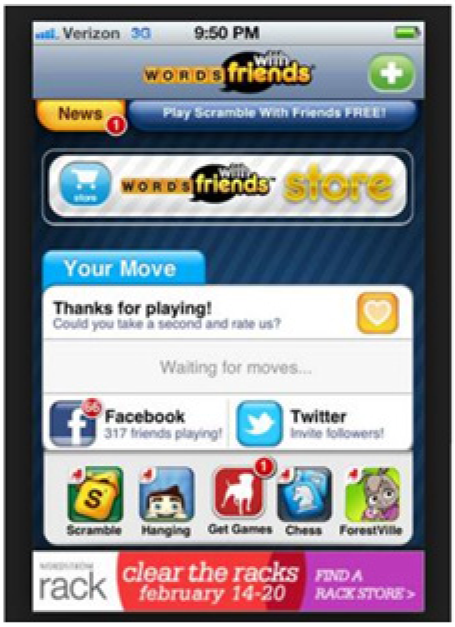
The below provides more detail into the three game advertising types, with visual representations for each.

Around Game Ads

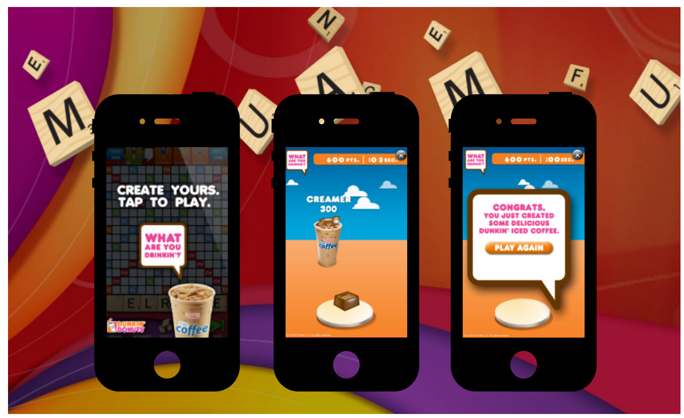
Description: This game advertising type includes game sponsorship of display units around the game. Display or digital video ads are shown while the game loads or can show during natural breaks in gameplay, such as between levels ("inter-level",) or between rounds of play. Increasingly, the videos are skippable after a specific timeframe, and many now incorporate interactive elements within the video as shown in the McDonalds example on the following page.

- Game Skinning Ad
- Standard IAB Unit Ads
- Pre/Post and Inter-Level Game Ads
- Traditional, Skippable and Interactive Digital Video

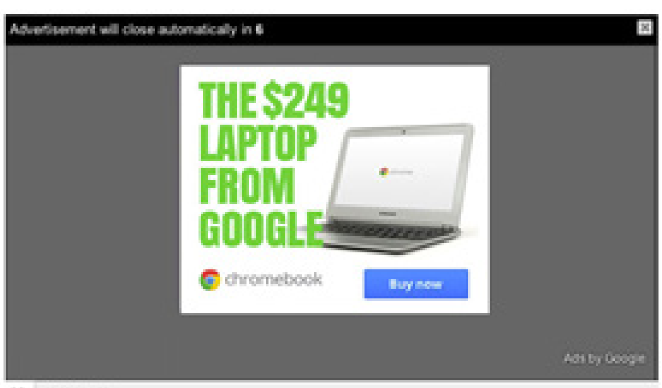
Around Game Advertising Examples



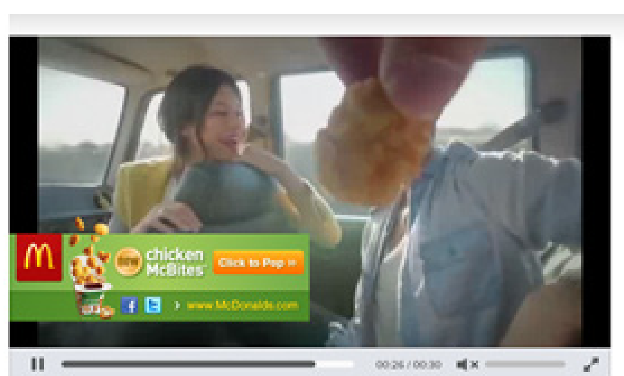
Nordstrom's in Zynga's *World With Friends*



Dunkin' Donuts in EA's *Scrabble*



Google ad that plays while a game loads



Interactive video pre-roll ad for McDonalds from BrightRoll

In-Game Ads

Description: As the header describes, these are ads placed within the game. There are two primary types. From our friends at the ESA, these are defined as follows:

1. Either static or dynamically served in-game ads that are integrated into the game environment. These are defined as follows:

    Integrations & Static Advertising - Some of the first examples of in-game advertising were static, or unchanging, consisting of simple in-game product placement or virtual billboards. Artists or programmers placed these brands and advertisements directly into a game, after which they could not be altered. Nowadays brands can be deeply integrated into the game experience and storyline, adding value and realism to the game while also evoking the brand's core values. For example, the inclusion of Gatorade into EA's Madden 25 console game title mimics the real-life usage and sponsorship of Gatorade in the NFL, and adds authenticity to the gameplay experience. Although many of these types of ads and integrations are still programmed into the game during the development process, they can also be added after the game is released via a game update or content download.

    Dynamic Advertising - Advances in the connectivity of gaming devices now enable in-game advertising to be served dynamically into pre-set inventory locations, just like other forms of digital media. Unlike integrations or static advertising which are programmed into the game itself, dynamic advertising can be updated remotely through an ad server. Advertisers can target these ads according geographical location, time of day, etc., allowing more flexibility and efficiency for campaigns. Because dynamic ads do not have to be hard-coded into the game by programmers, advertisers no longer need to formulate and insert their messages months in advance. Furthermore, many of these dynamic advertising placements leverage standard IAB ad sizes and requirements – making dynamic in-game advertising a very scalable media channel.

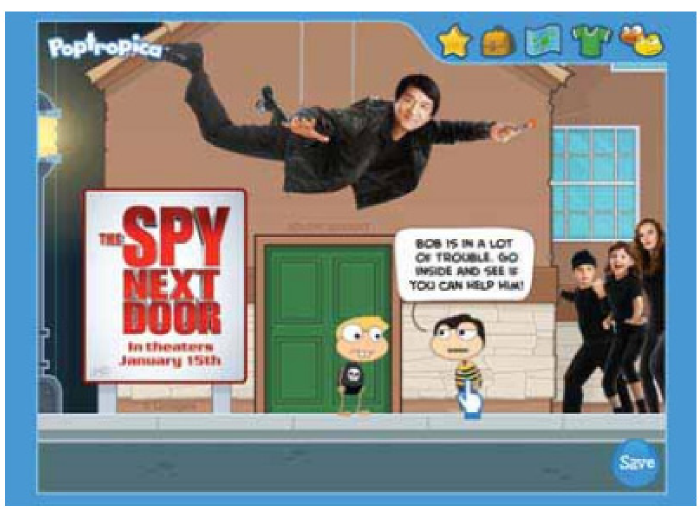
    Types of Static/Dynamic Advertising:

- Static In-Game Ad
- In-Game Product Integration
- Dynamic In-Game Ad (aka "DIGA")

In-Game Advertising Examples

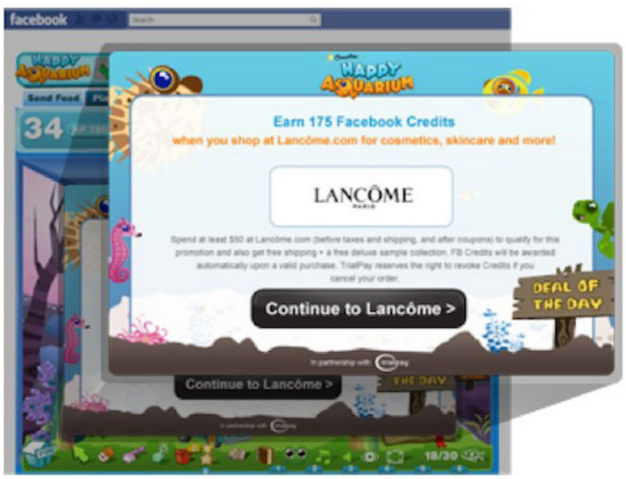
Tim Hortons in EA's *NHL '14*

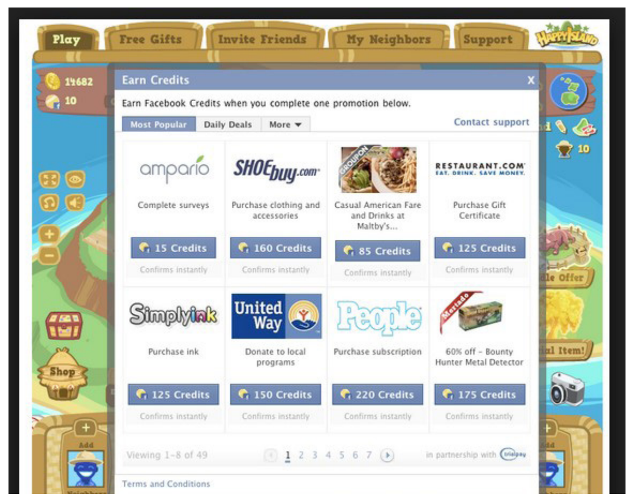
Techron billboard in *Street Race Rivals Game* (MediaBrix)



Lion's Gate in *Poptropica* (Initiative)

2. Value Exchange is a model that is gaining in popularity with marketers, developers, and gamers. These ads allow players to engage with an ad in exchange for in-game content and rewards, such as a new game level, in-game currency, branded items, etc. Value Exchange ads are typically completely optional, allowing gamers to view the ads and gain the rewards at their convenience or the most opportune time. When there are prompts to engage with the ad, they are triggered based on specific moments in a game and usually integrated within the user flow and contextual with the player's experience. The actual functionality of Value Exchange ads can be as simple as a single ad or video, or an offer wall as shown in the Facebook game advertising (Crowdstar's Happy Aquarium) images below.





There are also other types of value exchange ads where the game offers help in return for engaging with the advertiser's ad in some way.

How value exchange ads can work using this TMobile Example:

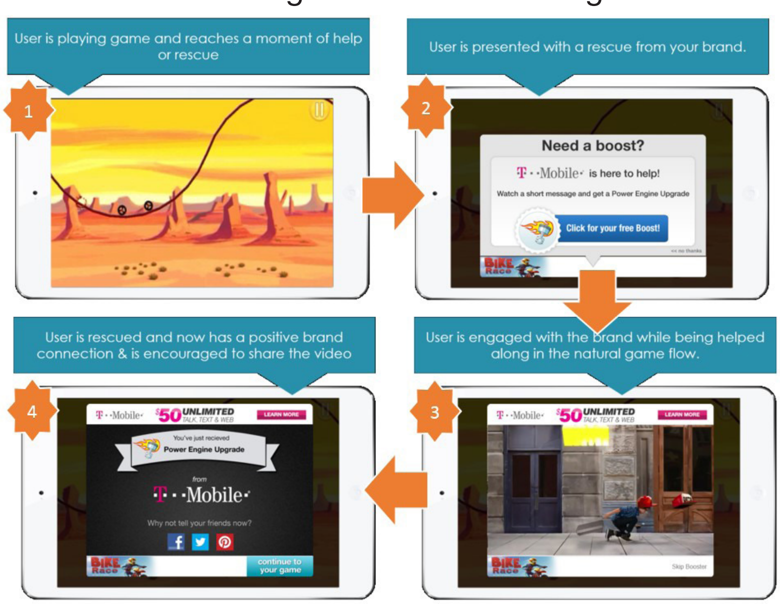
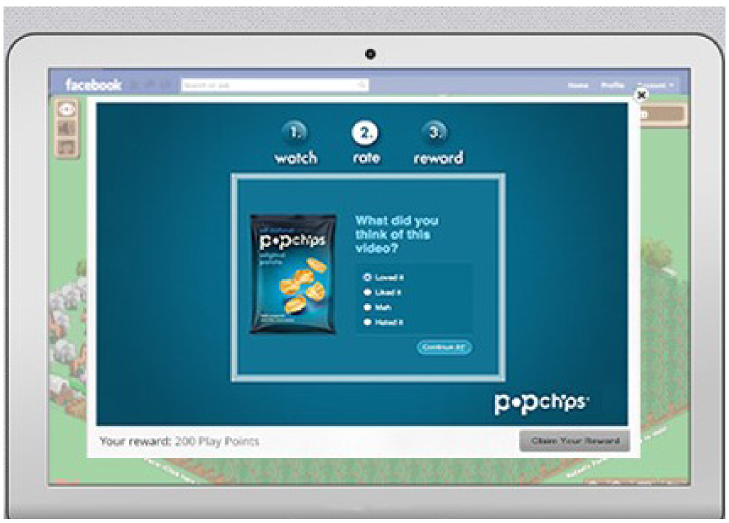


Image via MediaBrix

The value exchange proposition can include a wide variety of ways for consumers to interact with a brand, with the brand returning the favor and becoming the hero of the game. Propositions can include:

- A social share – e.g., Watch this video and share on Facebook
- Participate in a poll – e.g., Watch a video and answer a poll
- Purchase intent – e.g., Watch a commercial and visit the online site
- Coupon – e.g., Watch an ad and download a coupon
- App Install – e.g., Watch an ad and install an app

Examples:



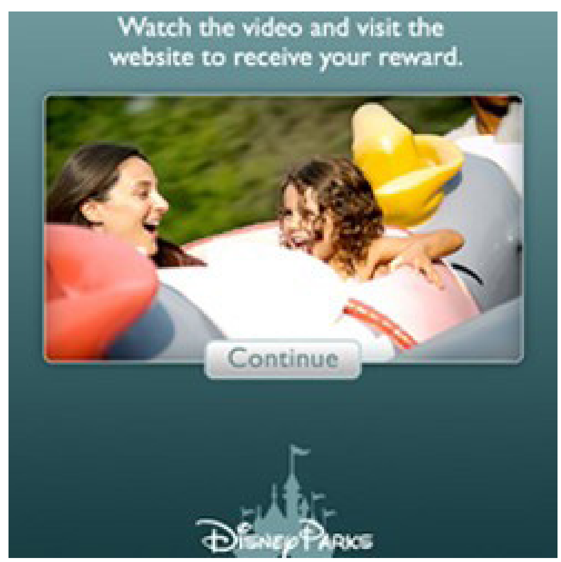
Pop Chips Video and Poll Value Exchange ad via SponsorPay,

Brand reward for achievement for Pillsbury via MediaBrix

3. Other In-Game Content Programs can include downloadable content, micro-transactions/ branded rewards, or retail product partnerships. These programs enhance the gaming experience while not disrupting game play, giving marketers a unique way to make meaningful connections with players both in-and-out of the game. In-game content programs can lead to increased engagement, message recall and overall user experience with the brand.

Types of In-Game Content Integrations:

- Downloadable Content
- Micro-Transactions
- Retail Activations
- Other Custom Integrations



Lexus integration in Draw Something game (MediaBrix), micro-transactions for Gran Turismo PlayStation, X-box in-app purchase notice, Plants vs. Zombies micro-transactions, Boar's Head and Disney Value Exchange ad via Glo Gaming

Custom Branded Games (aka Advergames)

Description: These are custom-made games specifically designed around a brand and act as de-facto longer format ads, cleverly blending brand messaging with a fun, interactive gaming experience to achieve campaign objectives. Advertiser assets are integrated directly into these games in order to create a uniquely brand-appropriate look. The ideal is to provide a clear link between the brand and the game, without interfering with player engagement—indeed, in the best custom branded games, removing the branding from the game would diminish the overall gaming experience.

The first two examples are IAB MIXX Award winners from 2014. More detail and case studies about these campaigns can be found [here](). The creativity shown for custom brand games continues to evolve.

Giraffas Fast Food Service - Mobile game integrates with paper tray. Created by Mood & TBWA

Naked Juice integration with Facebook Farmville 2 for Wholesome Wave Donations. Created by OMD

Chipotle Scarecrow Game. Created by Moonbot Studios

The Most Common Game Advertising Performance Models

When it comes to measuring campaign performance of game advertising, there are five main performance models, four of which are consistent with measurement for most types of digital advertising campaigns, while one is unique to games. These include:

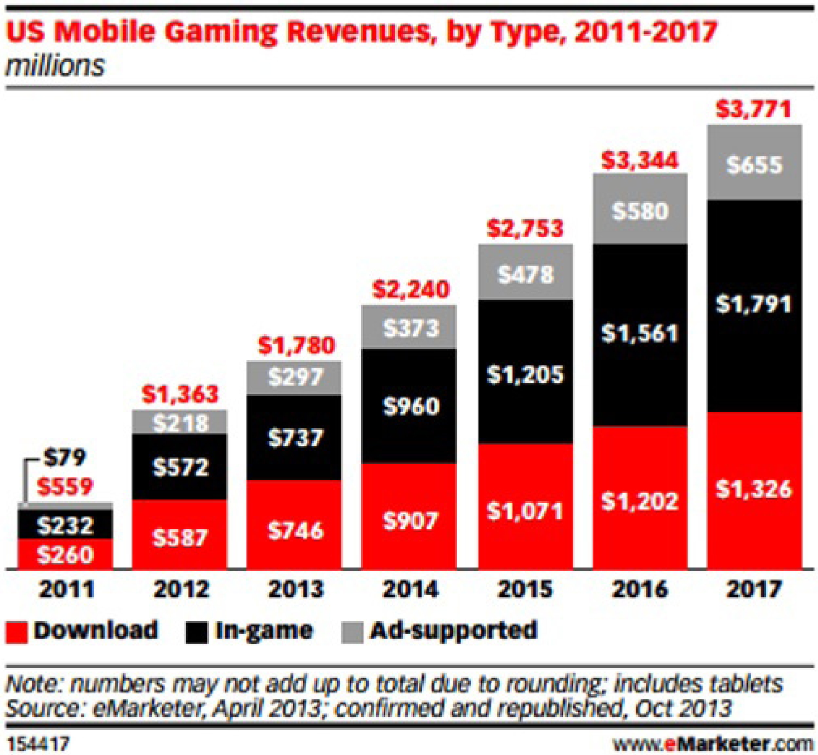
Cost Per Acquisition (CPA)	• Pay only for the actual clicks an ad receives and an action is taken
Programmatic Advertising	• Set bid and pay for clicks delivered, deeper targeting opportunities, set own price.
Cost Per View (CPV)	• Pay for completed video views/completions
Cost Per Thousand (CPM)	• Impression based. Set total campaign budget and pay on a blended CPM for a guaranteed number of impressions
Cost Per Integration + Value Exchange	• For Custom games, this refers to fixed pricing in exchange for 100% share of voice, typically with more targeted audience

Game Revenue Models

There are three main Game Revenue Models:

1. Download = price paid when downloading the app
2. In-Game = In-game items from the developer such as virtual goods, levels, premium items, etc.
3. Ad-supported = All ad types described above, including value exchange

Focusing on mobile, while it is clear that game downloads are important, the largest growth in game revenue models is coming from In-Game and Ad-Supported, with solid growth projected through 2017. With more ad options than ever before, and the user engagement on mobile, marketers are reaping the rewards of game advertising.



Conclusion

With impressive scale and engagement, gaming represents a powerful form of media consumption that reaches a broad target audience that marketers can no longer continue to ignore. But in order for marketers to capitalize on this seismic shift, they must take to heart all the above to ensure their ads will have maximum impact and achieve their full potential.

Increasingly, brands are viewing games as valuable and highly engaging content that fits in both their content marketing and paid brand advertising efforts. The evidence is clear that the demographics for games are more inclusive than ever.

Future trends that will continue to impact games and game advertising include:

- **Data will support continued game advertising growth driven by brands.**

  The industry will see increases in brand metrics, analytics and real-time messaging including location based actions to increase campaign performance for brand marketers. The evolution of location-based actions in a game advertising opens the way for enhanced relevance and retail applications.

  - It is important to note that tracking and targeting capabilities with mobile data will be different versus desktop data.

- **New ad format innovation will enhance player experience.**

  Marketers will continue to evolve beyond standard banner ads and pre-roll video ads with games to embrace new creative units that offer players rewards, value exchange video advertising, rich media creative, branded content and more. Brands will find new ways to actually be the hero of a game, taking part in the user experience and offering players rewards during moments of “achievement” such as a new high score, or help a person to continue playing when a stuck on a level and in need of help.

- **Mobile gaming will continue to thrive with both downloaded app games and mobile web games that leverage HTML5**.

  Advertisers will have more distribution and revenue options for their games with native games for iOS or GooglePlay as well as branded mobile web games that play directly from a mobile web site or link within a tweet, chat or post without having to download an app.

About the IAB Games Committee

Committee members include:

Leadership

Jack Koch, Electronic Arts, Co-Chair
Kym Nelson, Twitch, Co-Chair
Susan Borst, IAB, Primary Staff Liaison

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Brian Huss, Viacom Media Networks
Brian Malkerson, Twitter
Brian McKnight, SAS Institute
Brian Murphy, Flurry
Brian Rifkin, JW Player
Bryan Smith, PGA TOUR
Cara DiBruno, Selectable Media
Carmen Vasquez, AARP
Charles Barrett, IGN Entertainment
Chelsea Tretiak, Jun Group
Courtnay Kenney, Unruly
Craig Furlong, PointRoll
Damon Marshall, Supersonic
Dan Laughlin, Jun Group
Daniel Bornstein, deviantART
Danielle Ritter, PricewaterhouseCoopers
Dave Fahrer, Publishers Clearing House Digital (PCHdigital)
Dick Bennett, ImServices Group
Duane Kinsey, BuySellAds
Ed Hewett, Adobe
Elan Dekel, Google
Eric Cheung, NetSuite
Ezra Suveyke, VINDICO
Grant Gudgel, vidCoin
Greg Blackman, OpenX
Greg Hoy, Hipcricket
Jack Hallahan, Mocean Mobile
Jackson Bazley, Ernst & Young
James Cascone, Deloitte & Touche, LLP
James Hickey, PGA TOUR
Jay Kulkarni, Theorem
Jeff Birnbaum, Google
Jeff Herrera, The Integer Group
Jeroen Wijering, JW Player
Job Lawrence, Google
John Fox, AOL
John Percival,, Amazon
John Zaccario, GSN Games
Jonathan Bader, Selectable Media
Jonathan Morgan, Research Now
Jonathan Tabak, Xaxis
Joseph Bailey, Ernst & Young
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Joy Taylor, Electronic Arts
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Julie Shumaker, Zynga
Justin Raimo, Time Inc.
Kate Goldvasser, Mirriad

Kenneth Dreifach, LiveRamp
Kris Alexander, Akamai Technologies
Kristoffer Nelson, Social Reality
Lars Rohrlach, Fyber
Lindsey Port, GLO Gaming
Loren Schwartz, ESPN.com
Lori Driscoll, PricewaterhouseCoopers
Mark Granger, Drawbridge
Matt E. Wilkinson, Mirriad
Max Carranza, Acxiom
Max Kramer, MediaCrossing
Max Nussenbaum, Are You a Human
Max Sebela, Tumblr
Michael Flamberg, Nielsen
Michael Hines, Moko Social Media
Michael Traylor, Bidtellect
Mike Cohen, InMobi
Nestor Nieves, A&E Television Networks
Nettie Tien, Sizmek
Nuno Brilha, Webspectator
Omar Tahiri, Ad4Game
Payam Shodjai, Google
Perry Serwitz, FOX Sports Interactive Media
Ricardo Francisco, Webspectator
Rob Beeler, AdMonsters
Rob Grossberg, TreSensa
Robert Molchon, Sizmek
Rodney Webster, Conversant Media
Saad Ayouch, Ad4Game
Sandro Camarao, Mediabrix
Saul Levy, Lotame
Shekhar Deo, EngageClick
Steve Carlin, Facebook
Steve Guenther, ImServices Group
Steve Guenther, Alliance for Audited Media (AAM)
Steven Wartofsky, SAS Institute
Tania Levins, Nielsen
TC Conway, Discovery Communications
Tim O’Hare, PointRoll
Tim Villanueva, Fetch
Tod Sacerdoti, BrightRoll
Todd Fitzgerald, Flurry
Todd Morris, Adtegrity
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Yon Nuta, comScore