ADVERTISING IN COMPUTER GAMES

by
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Submitted to the Department of Comparative Media Studies in partial fulfillment of the requirements for the degree of Master of Science in Comparative Media Studies at the Massachusetts Institute of Technology

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Abstract
This paper suggests advertisers should experiment with in-game advertising to gain skills that could become vital in the near future. It compiles, arranges and analyzes the existing body of academic and industry knowledge on advertising and product placement in computer game environments. The medium's characteristics are compared to other channels' in terms of their attractiveness to marketers, and the business environment is analyzed to offer recommendations on the relative advantages of in-game advertising. The paper also contains a brief historical review of in-game advertising, and descriptions of currently available and emerging advertising formats.

Keywords
Advertising, marketing, branding, product placement, branded entertainment, networks, computer games, video games, virtual worlds.

Thesis supervisors

- Prof. Henry Jenkins
- Prof. William Uricchio

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Thank you.

Summary

Today, as advertisers grow increasingly unhappy with the value delivered by traditional media, they turn to alternative communication channels. Marketers, many of whom for a long time have been discounting computer games as an activity reserved for teenage boys with unattractively little purchasing power, are now gathering for conferences trying to figure out how to get into the game, so to speak.

While still relegated to the fringes of marketing budgets (games' share in the overall advertising spending remained at meager 0.1%[1]), in-game advertising and advergaming is slated to grow to a $1B business by 2009. Over the past few years, at least a dozen companies have sprung to claim their slice of this advertising pie, their services ranging from dynamic insertion of standard ad units to customized product placement tailored to advertisers' needs.

As the interest in the medium's potential grows, gamers become wary. On forums, they protest against advertising intrusion into what they see as their last haven safe from the marketing onslaught. Current advertising practices do little to placate their fears and to suggest that games won't become the next victim of advertising excesses, even though industry professionals are careful to note how important it is for the game-based ads to be unobtrusive. One reason for these misfiring efforts is the systemic deficiency of the advertising process; the market is better equipped to process mass-produced and recycled communications than custom-tailored messages. The other reason is a lack of experience in planning for an idiosyncratic medium that has only recently emerged from its relative obscurity and reluctantly opened its doors to brands.

This paper is designed to address the latter problem by compiling, arranging and analyzing the existing body of academic and industry knowledge to distill a set of recommendations and ideas for advertising in computer games -- a series of cheats and walkthroughs, in the gamers' parlance. The main question this work seeks to answer is how to design and place in-game advertising in a way that would recognize and respect the limitations of the medium while taking advantage of the unique opportunities it offers.

INTRODUCTION

"Alice opened the door and found that it led into a small passage, not much larger than a rat-hole: she knelt down and looked along the passage into the loveliest garden you ever saw."

Lewis Carroll, Alice's Adventures in Wonderland

The War

Hey, fellow advertiser. Yes, you, red-eyed, with horn-rimmed glasses and a black turtleneck. Can you pitch a product to a god when even mortals go out of their way to avoid us.

The remote control, that sword of consumer Damocles, has been hanging over our collective head for over half a century now. When the Lazy Bones first appeared in the 1950s, the technology was advertised (what an irony) as an ad silencer. What did we do? We set up road blocks by scooping up chunks of air time across all channels to keep the surfers bumping into our commercials they were so diligently trying to dodge.

The ultimate ad-skipping technologies – the refrigerator, the microwave and the bathroom – have invited a similarly ungraceful backlash. We are single-handedly responsible for one of the largest and potentially most dangerous urban phenomena, the Super Flush, the massive splash of advertising dollars going down the drain when all Super Bowl fans head to the bathroom during commercial breaks. Our response? Turning the volume up and slinging the ads within earshot of our flushing and corn-popping audience.

As the remote control mutates and proliferates, our countermeasures follow a predictable path of making the ads louder, more intrusive and more omnipresent. The success of these measures has been predictably low and has resulted in more anger than brand loyalty on the part of the same audience we are clumsily trying to court.

Advertisers are frustrated because their forecasts show that the situation is not about to improve; the first random study that popped up on Google predicts that DVR adoption will grow at 47 percent a year through 2008[2]. Most of the current research points out that anywhere between 70 and 80 percent of DVR owners skip commercials. What are we going to do about it? Slap banners right in the middle of the screen when TiVo goes into its fast-forward mode, that's what.

When AT&T in 1994 launched its first banner on *HotWired*, it was exotic, exciting and effective. The interest quickly faded, and we rushed to gussy it up with pretty colors and animations. That was fun for a while, but then people turned away and got back to their business. We upped the ante once again, and came up with even, we thought, more exciting technologies -- exit windows, interstitials, roll-ons, roll-ups, pop-ups, pop-unders, pop-all-over-the-place. The very TV spots people were trying to zap on TV, we began to stream online. We turned the volume up, too, embarrassing office surfers who scrambled for the "mute" button and deafening everyone wearing headphones.

We were the only ones excited. People responded in kind. First, they would politely click on the "x" button to get rid of the mini windows jumping in their faces. Then they created a pop-up blocker. Then the pop-up blocker became a standard feature in all browsers. Then they learned how to block animations. When that didn't help, they began to block off entire ad servers. Now they've come up with Grease Monkey, a technology that automatically scraps every single ad from a web page before it is even loaded.

The war is on and we are losing it. And this is one war we don't even need to be fighting.

We love our audience, but it is only our fault if no one can tell. Instead of being a gentle and loyal lover, a prince charming always ready to help, never a nuisance, we collectively act like a paranoid stalker, obsessively collecting and fetishizing every little thing our audience leaves behind. We call our audience at nights, breathe heavily into the phone and read a sloppily written script. We deluge their mail boxes with letters. We jealously guard our audience's every move; god forbid that the audience should ever turn away from us. We demand undivided attention. Like an insecure teenager, we shout obscenities, mistaking disdain for interest. In an act of desperation, we parade naked bodies. We burp, fart, and insult our audience's intelligence. We doubt their sexual endurance and we are never satisfied with their breast size. We criticize the cars they drive, the clothes they were, their cooking, parental and gardening skills. We scoff at their education, habits and tastes. Even our pick-up lines are so cliché out that a simple "may I buy you a drink" would sound excitingly fresh.

What do you call people who pay for someone's entertainment and then demand certain favors in return? Advertisers.

We generally mean well, though, and sometimes people even love us back. On those bright days, they laugh at our jokes, answer our calls, forward our emails, and buy our stuff. They say they never watch ads on TV, but cheer the reruns of the old ones. They say they hate ads in newspapers but diligently cut out coupons. They say they can't stand ads on the DVDs they buy, but rewind movie trailers. They pay for glamor magazines that are 90 percent ads. They keep their Yellow Pages tomes nearby. They collect fridge magnets. They wear our logos. They tattoo our names on their skin. They are saying how they despise advertisers, yet Boston's section of Craig's List hosts some 150,000 ads they themselves post in any given month. Then Google launched its AdSense and suddenly they are reading self-help books on how to boost click-throughs.

We love them. They, it turns out, are not ruling us out of their lives either. Why can't we do the right thing and fix this relationship from dysfunctional into thriving? Sometimes we don't know what the right thing would be. Sometimes we do, but the system won't let us do what's right.

The first part is easy. All we really need to know we already learned in the kindergarten. Play fair. Don't hit people. Look. Listen. Follow the path of the least resistance. Be on time. We would be better off even if we followed our own slogans. Think different. Be inspired. Be yourself for a while. Try harder. Just do it. Some advertising gurus say the business of advertising should not be confused with the business of entertainment. They were proven wrong by the millions who downloaded BMW films and then headed to dealerships to test-drive the car. Others say dry info doesn't sell. They were proven wrong by the spectacular rise of Google, a company whose entire business is to mediate the sales of dry ads, 95 characters at a time. The whole stack of books of advertising wisdom can be summed up in one sentence: "Whatever you have to say, say it to the people who are interested and say it when it suits them best in a way that will keep them listening."

We are also prisoners of the media system we ourselves helped to set up. It all started quite innocently:

> Consider broadcasting. In its infancy, it was a reflexive instrument, a tool for selling radio sets. But broadcasting's real birth might more accurately be dated to the Postum Co.'s 1926 order that its Philadelphia advertising agency, Young & Rubicam, relocate to New York, the developing center of the broadcast-network business, to handle the account of its Jell-O division. Within eight years, that move bequeathed to the listening public "The Jack Benny Program," "Colgate House Party," "General Foods Cooking School" and a smattering of other audience-delighting radio programs.[3]

The very medium that we hoped would bring us closer to the people has grown into a risk-averse behemoth that is cute to look at but is harder to teach new tricks than the proverbial old dog. The 30-second spot everyone is so willing to see dead that it just might as well die is not around because it does the job well – it is considered bad manners now to claim so in public. It is around because there is nothing to replace it, that is, nothing convenient and comfortably familiar.

People at Worldwide Wrestling Entertainment are among the few who are trying something unfamiliar and uncomfortable. In October 2005, WWE began extending its live coverage to the web instead of cutting it off for commercial breaks. At least one analyst, a director of national broadcast for Initiative, immediately voiced a concern: "Now you're talking about telling the most rabid of fans to switch to another platform when advertisers are wanting to talk to them. It sets a dangerous precedent."[4]

Dangerous precedent? WWE may have just dealt a Hulk Hogan blow to ad skipping, single-handedly incapacitating the Super Flush, the DVR and the remote. Chris Chambers, WWE's VP for interactive media, quoted a house study that showed 60 percent of the simultaneous TV and computer viewers not channel-surfing away during the commercial breaks. "If they weren't online, they'd probably go get a snack or go the bathroom. This way they're probably still in the same room and can hear the ads."[5]

Instead of exploring the opportunities the DVR offers, we are trying to circumvent or break the fast-forwarding function. The DVR threatens the familiar and the comfortable. The DVR is bad. If we can't kill the DVR, then we must at least cripple it.

Prohibitive transaction costs, technological limitations, red tape, shortage of research knowledge, insufficient infrastructure, broken communications, conflicting interests, or plain inertia both on our and media's side have perpetuated the tyranny of the existing delivery formats, even if these formats have been stretched to the breaking point.

Pop-up ads annoy consumers and freeze their computers and yet more money is poured into pop-ups. Spam renders entire email accounts useless and yet a computer maker keeps sending me offers to buy a PC even though I have already bought one from them and have not expressed any interest in buying more. Nearly identical credit card offers from competing banks fill up mailboxes. It is a vicious circle: the more cluttered the format, the more advertising is crammed in it. If there is a law of diminishing returns, it doesn't seem

anyone in advertising is aware.

The New World

We, the advertisers, have permeated every imaginable space, collectively showering our fellow citizens with 3,000 daily offers, promises, offers of promises and promises of offers, enticements, seductions, solicitations, invitations, demands, recommendations and thinly disguised threats. That's 187.5 every waking hour, 3.1 a minute.

We have taken over every part of our fellow citizens' lives. Our ads greet them at home and they accompany them to work; our ads are on TV, magazines, newspapers, radio, clothes, street signs, cars, buses, computer monitors, toys, cloth hangers, subways, stores, food items, bathroom stalls, telephones, trash receptacles, parking meters, bills, ATMs, money, desks, flip-flops, soda cans, pizza boxes, coffee mugs, mirrors, tables, and homeless people. We have painted the sky and branded the beach sand.

We have almost run out of space.

Have you ever dreamt about working back at the time when life was simple, Bernbach, Bernays and Ogilvy were yet to be born, television was still a matter of science fiction and the information space was more like a stately ball room than a chaotic floor of a stock exchange? Would you, who complain about today's media clutter by night and create more of it by day, would you jump into conversations, interrupt family dinners, sneak into bedrooms, knock on doors, spray-paint walls, feign romance and send unwanted letters like there's no tomorrow?

What would have you done differently? Because you are standing at the door that is about to swing open to reveal sprawling cities, endless highways, virgin forests and other undeveloped property so utterly devoid of anything branded that it is hard on the eyes, and the choice of what to make of it is now yours.

It is a strange world. It is a world where people kill without hate, die without pain, re-spawn and die again, hijack cars, operate spaceships, beat up perfect strangers, command lemmings, lunch on orcs, befriend elves, and nonchalantly save the universe one planet at a time. Armed to their teeth, they wield flaming swords and laser blasters. They carry gold coins and gems, and always pay cash.

It's the world of computer games, the promised land of virtual reality where the wildest dreams come true that for the 30 years of its existence has remained largely impregnable to us. And if we are finally about to be ushered in, we'd better know the rules of the place where natives' revenge can be swift and spectacular. If you are already afraid of a remote control, think of what an unleashed swarm of fire-spewing dragons can do to your precious billboard.

Remember how I asked you whether you could pitch a product to a god? That's what this world is all about. We will be pitching to gods.

DEFINITIONS AND SCOPE

I had hoped that "advertising in games" would be an elegant and self-explanatory title. Soon it became clear that I needed to set certain boundaries around meanings of each word or risk losing focus. So below I will explain what exactly I mean by "advertising", "in", "computer" and "games", an exercise that defines the key terms and outline the scope of work.

Advertising

Turning to the industry that itself relies on metaphors for a precise definition of what it does has not yielded any useful results. Use a search engine near you to look up the range of opinions about what the word means and you will find everything from a rather restrictive "messages printed in space paid for by the advertiser"[6] to a more generous "any paid, non-personal communication transmitted through out-of-store mass media by an identified sponsor."[7] None of these definitions are complete. As the most recent developments in the industry show, advertising communications don't have to be non-personal, or out-of-store, or rely on mass media, or even identify its sponsor. The word that describes advertising in the context of this work is "propaganda" in the sense of *propagation* of information intended to cause or reinforce specific alterations of behavior, but the strong negative connotations of the term have rendered it nearly useless for a neutral discussion.

In most cases, the ultimate behavior intended by advertising is some sort of transaction, usually a sale (or a vote, in case of political advertising), but the immediate goal of any given campaign could be different; advertisers may plan to create awareness about a new product, or to encourage trial, or to provide incentives for the audience to share personal information. In some instances, *propaganda* may encourage the audience to *refrain* from doing something, or it may attempt to shape beliefs about an issue.

The way to treat advertising in the context of this paper is to think of it as "promotion," although not in its "buy-one-get-one-free" sense but as one of the P's of the marketing mix (the other three being *product*, *price* and *placement*). Yet, precisely because "promotion" has this other meaning of "buy-one-get-one-free", I will be using "advertising" as an umbrella term that refers both to the process and its perceptible output in the form of billboards, branded products, banners, coupons, TV spots, emails and countless other artifacts, events and phenomena. Context permitting, I will be using the terms "advertising", "ad" or "ad unit" interchangeably to refer to such instantiations.

In

Defining the "in" may seem superfluous, yet doing so will help to narrow the scope of this work. This "in" is pretty unequivocal; generally, it refers to "inside." It doesn't mean "at", "over" or "nearby", although maybe "within". The paper doesn't discuss in detail all of the available ways to reach game playing demographics. The marketplace provides plenty of alternatives to advertising *in* a computer game and many of those are cheaper, easier to plan and execute, and have a proven record of success. Marketers could buy space on a popular game review site, put an ad in a magazine targeted at gamers, or sponsor gamer conferences and competitions and reach the same audience as they would with an in-game ad unit. Each of these approaches is equally interesting from an academic or professional point of view but falls outside the scope of this particular work, even if for the only reason that the line needs to be drawn somewhere.

Advertising that shares the visual space with games but that is not technically "in" -- sponsors' logos on splash and download screens, or banners that sit near a web game -- have been given the benefit of the doubt. Deciding on what formats to include was not unlike working as night club face control: "Yes, I understand that your name is almost like the one on the guest list... no, it doesn't count... oh, really... ok, get in." Yet generally, an ad is considered to be "in" a computer game when it is also inside the game's magic circle.

Computer

Academic and professional literature on gaming often makes distinctions between computer games, video games, and electronic games, but the boundaries are blurred and the situation is further complicated by the availability of console games, PC games, mobile games, handheld games, interactive entertainment, virtual worlds. Some of these distinctions are made to describe the hardware on which the games are played; others refer to a particular characteristic of the medium or the social aspects of playing.

This variety is not helpful, especially considering that at least one game, *Doom*, can now be played on cell phones, portable music players, calculators and digital cameras in addition to PCs and tricked out consoles. Creating and using a separate name for each instance of a new hardware group would quickly become cumbersome. The term "electronic games" may be too broad as it can also include games that are technically electronic -- for example, pinball machines -- but are rarely discussed in the context of "video" or "computer" games.

"Computer games," on the other hand, seem like a good fit. The term refers to games that are controlled or mediated by a computer -- a machine that digitally processes data according to a set of instructions -- and includes a large range of devices that contain an embedded computer. The term "video games" means computer games that use a video display as the primary feedback device. Since most of the games discussed in this paper rely on television screen or a computer monitor for visual playback, "computer games" and "video games" will often be used interchangeably, but clarifications will be provided where necessary.

Games

Video game theorist Jesper Juul analyzes seven well-known definitions of games provided by academics and practitioners.[8] Based on the distilled list of features necessary for something to be a game, he then defines it as "a rule-based system with a variable and quantifiable outcome, where different outcomes are assigned different values, the player exerts effort in order to influence the outcome, the player feels emotionally attached to the outcome, and the consequences of the activity are optional and negotiable."[9] This description will become useful when we look at the characteristics of the computer games as a distinct medium.

Some of the "rule-based systems" referenced in this paper don't bill themselves as computer games. Linden Lab, for example, insists that its *Second Life* should be called a virtual world instead, or a platform, and in all fairness, *Second Life* does not fit Juul's definition as it lacks any system-wide "variable and quantifiable outcomes." Yet these software products share enough important characteristics with *bona fide* games to be included here.

In many cases, players use the game software either in a non-gaming fashion or for purposes different from those intended by the developers and thus they fail to "exert effort in order to influence the outcome." Using three-dimensional multiplayer games purely as an instant messaging or a chat client is an example of the former; machinima, or the practice of creating short movies using games as rendering engines, illustrates the latter. Since these secondary interactions take place within the game space and users are exposed to the game content, I felt they also would be relevant to this discussion.

Several readers of the web companion to this thesis have asked how I choose what types of games to include in this work. In part, these decisions were guided by what research had already been conducted in the past. Juergen Kleeberger had discussed the marketing potential of web-based advergames in his own master's thesis at the University of St. Gallen, and so I felt that a discussion on advertising in full length third-party games would add more value.[10] Besides, in-game advertising and advergaming involve different processes, the latter being more about designing a game from scratch and the former being more about fitting your brand's story into an already existing narrative. While the conceptual overlap is significant enough to warrant a discussion about both approaches, so are the differences that justify focusing on one over the other.

Likewise, Betsy Book had written about the emergence of user-created brands in *Second Life*, and this prompted me to focus instead on opportunities to add "outside" or "real-life" brands to the environment.[11]

In other cases, the choice was limited by the availability of relevant information. Some of the games that are featured here had not been released at the time of this writing and the information was drawn from the press releases issued by their publishers. Naturally, the games with more forthcoming publishers (or better PR people) were the lowest hanging fruit. Finally, in some cases, the choice of games was guided by personal preferences. Among the games I have considered, I spent more time examining those I enjoyed playing (or, officially, exploring) the most.

Caveat Emptor

It would have been easier to write this paper two years ago when the in-game advertising industry was reliably quaint if not inexistent. Today, the news of breakthrough developments come before the ink has dried on yet another draft. The in-game ad revenue estimates have been revised several times since last spring when I prepared my first presentation on the topic. Just before the first deadline for submitting this work, an announcement that Microsoft had bought an in-game advertising agency came in and prompted revision of a chapter. By the time you finish reading this paper, the landscape will likely have changed again.

Considering these limitations, the resulting work should not be taken as a comprehensive guide to advertising in all "rule-based systems with a variable and quantifiable outcome" played on "machines that digitally processes data according to a set of instructions". Instead, it compiles some of the most important bits of knowledge in a package relevant to advertisers eager to venture into this new space and provides pointers to those who are curious to learn more. It looks at how in-game advertising has been done in the past and

offers ideas on what can be done better. This work asks more questions than it answers, trying to attract attention to the issues that often remain overlooked. If anything, it is a walkthough for the first level of the real-life game "World of Advercraft" with a handful of cheat codes and directions to power-ups and monster lairs.

Part I
BUSINESS SENSE

This chapter looks at the business side of in-game advertising and considers the size and composition of the playing audience as well as its growth potential, available platforms and titles, and the existing providers of advertising services.

Playrix Ex. 1016, Page 15 of 74

The playing public

For marketers, it is yet another existential dilemma: to advertise or not advertise in games, and for those looking for a quick answer, it is a yes. The reasons, however, differ from the ones offered by the conventional wisdom and media hype.

Here's a quote from a typical article on the subject that appeared recently in *San Francisco Chronicle*:

> Advertising executives also recognize television ads may not be the most effective form of advertising for the highly coveted segment of males between ages 18 and 34, who tend to spend a lot on retail items. They are seeing this audience moving increasingly toward Web and video games. According to Nielsen Entertainment, young men spend 12.5 hours a week playing video games, compared with 9.8 hours a week watching television.[12]

There are several problems with the suggestion that switching ad dollars from TV to games will allow marketers to reconnect easily with their flitting demographics. First, the evidence to prove that games are stealing TV's eyeballs is inconclusive. A study similar to Nielsen's and conducted by Jupiter Research among online users within the 18-24 age bracket found that "the impact of video games on other media is largely overplayed. Although a large fraction of users (42 percent) report some diversion from TV attributable to video games, the proportion of time spent with TV has grown relative to other media -- including games -- over the last three years."[13] The percentage of weekly time spent with TV and games out of total media time remained at 29 percent for TV and around 17 percent for games.[14]

The general gaming audience is indeed huge; the Entertainment Software Association that includes all major game makers states on its website that half of Americans play games.[15] (The ESA numbers are criticized as unscientific because the organization refuses to make its methodology public. A veteran game designer Chris Crawford argues that the ESA's definition of game player might include everybody who has ever played a session of solitaire on a PC, diluting the data's value for decision making[16]). Nielsen claims that there are 113 million American gamers age 13 and older and that the number will grow to 148 million by the end of 2008.[17] Jupiter Research estimates 51.4 million American households, or roughly a half, own a game console.[18]

Yet, the composition of the gaming audience is not as uniform as it was once considered; instead, it is fragmented along just about any imaginable line. Games are not a realm of teenage boys any longer; in fact, the under-18s (boys *and* girls) account for only a third of the audience. The Entertainment Software Association reports that the age of the average player is now 33[19]; a year earlier it was stated as 30.[20] According to the same sources, the number of Americans over 50 who play games rose to 25 percent in 2005 from 19 percent a year before, while the increase over the five years between 1999 and 2004 was only 9 percentage points. Women are catching up with men; they are now 38 percent of all gamers.

All these people are playing different games -- a total of 228.5 million PC and console game units were sold in 2005 -- and the landscape is splintered so much that according to the ESA's fact sheet for 2004 only 12 console and no PC titles managed to sell over 1 million copies, and 50 console and two PC games sold more than 500,000 (the numbers were not revealed for 2005).[21] According to a speaker at the Advertising in Games conference (April 2006), the number of console titles published each year revolves around 700-900. The number of PC titles is even greater (1,200-1,800 by some estimates) but harder to count since their variability in size, price and complexity makes many of them unsuitable for comparison. The web-only games are innumerable. For comparison, the American movie industry released 549 new films in 2005 and 520 a year before, with straight-to-video and independent productions uncounted.[22]

The distribution channels for games are equally varied. While Wal-Mart attracts 38 percent of all game shoppers, gamers can also pick up a title at a specialty store, an electronics retailer, borrow it from friends or rent it at Blockbuster or one of the mushrooming online services, or download it directly from the many websites or file sharing applications. Distribution channels are an important consideration for demographic targeting as different kinds of players shop at different places. Jupiter's study shows "gamers that purchase games from Wal-Mart skew female, older, and have a household income that is lower than the average. Gamers that purchase games from either consumer electronics retailers or specialty game retailers skew male, between ages 18 and 34, and have a household income that is higher than the average. Gamers that buy games online—either via downloads or physical product purchase—are closely split on gender but skew older."[23]

There isn't a single or even a dominant game-playing platform, either. According to Nielsen Media Research, 74 percent play games on PCs, 61 percent on Sony's PlayStation 2, 36 percent -- on Microsoft's Xbox, and 31 percent -- on Nintendo's Gamecube.[24] Roughly a third of all gamers own two or more of the top consoles.[25] The tipping point for the next-generation consoles (PS2, Nintento Wii, Xbox 360) when their install base will equal that of the current-generation machines will take until 2008, according to Jupiter Research, and the number of the older systems remains significant.[26] Complicating the matters further, some games are designed to be played on specialized hand-held consoles, PDAs, Blackberry devices, cell phones and even iPods. These systems are rarely if at all compatible with each other and with their own previous generations. Games are often released exclusively for one particular platform; multi-platform releases are rarely simultaneous and require an additional investment to make a game work on different machines.

Not surprisingly, games provide a dizzying range of experiences to the players. Michael Wolf lists over 40 game genres, basing his classification on the dominant type of interactivity a particular game offers. His alphabetical list includes adaptations of board games, artificial life simulations, games centered on capturing, catching, chasing or collecting, dodging, driving or flying, managing others, solving puzzles, shooting and dancing.[27] Games can be single- or multi- or massively multi-player, visual and text-based. They come on DVDs, CDs, cartridges and downloadable files, packaged, bundled or serialized.

Not only do gamers play different games acquired through different channels and for

different platforms, they also play for different reasons. Jupiter Research groups gamers into distracters, challengers, vicarious gamers, plot lovers, and explorers based on the main self-reported reason why they play:

- Easy to pick-up/provide some distraction
- Provides specific challenge
- Allow me to do things I can't in the real world
- Strong plot / storytelling experience
- Allow me to explore new / interesting worlds
- Feature compelling characters[28]

Once players are in the game, motivations for their actions vary as well. Richard Bartle, a game researcher and designer, offers a classification of gamers in MUDs (text-based multi-user dungeons, the forerunners of today's World of Warcrafts and Everquests) based on their playing style, dividing them into socializers, killers, achievers and explorers.[29]

Hurdles

Needless to say, the complexity of the gaming landscape is less than inviting to any advertisers other than the "alpha geeks". Navigating the myriads of games in development to pick the one that matches the campaign goals and brand strategy can be a daunting task on it own, but at the end chances are that the game will not see the light of day at all. Not only do nearly all titles except for the blockbuster sequels sell well under half a million copies, most of them – as many as 90 percent - will fail to break even.[30] To put these numbers into perspective, a game with a conservatively estimated production and marketing budget of $1.4 million and priced $29 at retail needs to sell 75,000 units to break even.[31] According to a recent report by Screen Digest, as few as 80 titles a year turn a profit.[32] And even if the game looks good on paper, is not delayed and works as advertised, so many customers base their purchase decisions on third-party reviews and pre-release trailers and screenshots that a perfectly playable game can tank under the weight of a less than glowing publication.[33] (On the other hand, the *50 Cent: Bulletproof* marketing extravaganza of a game managed to sell over one million units despite the critics' lukewarm welcome.)

The logistics of placing an ad in a game can be daunting as well. For custom ad formats, game developers may require a lead time of up to 18 months depending on the project's complexity. The ad unit will have to be vetted by several authorities whose number varies from game to game. At the very least, it will need to be approved by the developer and the publisher, but in case of a game based on licensed content -- by the license holders, and for console games -- by the console maker. All these complexities make the ad planning and buying process more like placing a product in a movie than running a spot on TV and the prices are comparable as well. As *The Boston Globe* wrote, "Costs for advertising in video games have grown exponentially. They can range from $5,000 to $500,000, prices that rival spots in small films, according to some agencies."[34]

You will also need to pick a title that would attract your target audience, an exercise that is more art than science. Game preferences may depend on the platform players are using

(the best selling genres for consoles are action and sports, for PC they are strategy and shooters),[35] their social status, age, amount of disposable income and leisure time, game rating, motivation for playing, and their role in the buying process (primary user, purse holder, or influencer), but hard numbers are scarce. While the player's gender might be a factor that influences game preferences in the most obvious way -- boys like shooting, girls like dollhouses -- the reality is less straightforward:

> The study [conducted in 2001 by a market research firm Label Networks] also revealed the dependence of one's gender to video game-type preferences. Surf and skateboarding games ranked highest for both males and females, while second choice game preferences varied significantly based on one's gender.
>
> "Our analysis shows that females clearly dominate in their preference for Mario Brothers arcade-type games over males in the same age group," reported Label Networks founding partner and chief statistician, Bradley Feldman. "Third choice for females was action shooting games like Doom, whereas third choice for males were team sports games such as football."[36]

Games of different levels of complexity attract different kinds of players as well, and players' motivations appear to depend on their gender, age, and economic status. Jupiter Research shows that the majority of women, for example, (75 percent) prefer simple games, while men prefer more complex challenges (61 percent). The average age of a complex player is 35, a typical player of simple games is 46. Simple gamers play for distraction, use PCs and prefer games that cost less, while complex gamers buy games that fall into their favorite genre and are more likely to own a dedicated console.[37] Plot lovers and vicarious gamer segments are heavily skewed toward males, tend to be composed of gamers from lower-income households, and prefer action and role-playing games. Challengers and explorers are more evenly divided along gender lines and prefer role-playing games and adventures, and players in the distracters segment are older, skewed more towards women and prefer casual puzzles.[38]

The high degree of segmentation and the limited reach of individual games mean that advertisers must cast their nets wide across several titles, but the problem is exacerbated by the fact that not every game is considered suitable for advertising, at least in its most common billboard-banner form. A media planning agency Mediaedge:CIA summed up the issue in its report based on interviews with gamers: "The good news is that gamers are giving clear permission for brands to appear in and around games -- but only where appropriate. What this means is relatively simple. People play games to immerse themselves in an alternate reality, so brands have permission to behave in a way that helps players to do this. In short, if a brand appears in or around a game, it must enhance the alternate reality."[39] Arguably, a giant billboard by Coke -- or any other real-world advertiser for that matter -- would not do much to enhance the alternate reality of *World of Warcraft*, a persistent multiplayer world that was the best-selling PC title in 2005 (ESA's data) whose elves and dragons theme put the game's six million global subscribers are out of advertisers' reach.[40] (This didn't prevent Coca-Cola from placing Sprite billboards in the futuristic multiplayer world of *Anarchy Online* to the chagrin of a number of vocal players who blasted the campaign on online forums.) By the same token, out of the top 20 best-selling PC titles in 2005, only 12 could be theoretically "enhanced" by an ad, and five

of these games are sequels and extension packs for the blockbusting *Sims*. The number of ad-friendly console games on the top 20 list for the same year is 14.[41]

These numbers make for a rather tight media inventory and most of the best-selling titles that can readily incorporate ads already do so (eight of the console games on the ESA's 2005 bestseller list are sports simulations peppered with sponsor banners) -- to the dismay of advertisers looking to break through the ad clutter in other media. On the other hand, betting on anything other than a known franchise carries the risk of never achieving the reach targets, although official sales numbers are not a precise indicator of reach since games enjoy additional unreported circulation of both a legal and an illegal kind. A study by NPD Group showed that once a game is brought home, it is often played by family members other than the intended user.[42] The market for second-hand games is significant source of "grey" audience as well as sales for pre-owned titles can amount to a quarter of the total volume.[43] Half of all players also rent their video games, on average eleven a month, to the tune of $700 million a year in rental fees.[44]

Another, somewhat unfortunate, source of extended circulation for games is piracy. Of the 6,000 console players surveyed in early 2005, 21 percent admitted to playing pirated games and as many players copied games from their friends. For the PC segment whose audience is more technically savvy and where copying, cracking and distribution of games is easier the numbers are significantly higher.[45] There might be a silver lining to the piracy cloud, however. A new company Exent Technologies claims to possess technology that will allow insertion of ads into games that are already on the market through either legitimate or pirate channels without a direct access to the source code.[46]

The reason why

So, there are many issues of concern for the advertiser who decides to bring ad gold into the game worlds, but is the return worth the investment? The answer depends on your definition of return. If you are interested in the largest number of eyeballs exposed to your message at the lowest cost, today your money will be better spent elsewhere. You will hardly achieve a massive reach unless you advertise in one of the many popular casual web games, which is not an unwise strategy but outside the scope of this paper, or go with one of the assured blockbusters such as the next Madden football simulator, or get lucky with a surprise hit. On the other hand, if you need to reach out to a very particular segment impermeable to other media, then yes, go with the games, although it would be easier to make a psychographic and behavioral match than a purely demographic one. Targeting a large population of 18-24 urban adults with an ad buy across several generic games is harder than reaching out to rap fans with an ad in the single *50 Cent: Bulletproof* title.

Likewise, if you want your ad to cause an immediate action, games are probably not for you -- or at least not yet -- as most of them do not provide a way to connect the ad unit with your sales tools, and the ones that can do so in a manner that interrupts the game flow by pushing users towards external media, pop-up style. Some game makers are working on integrating a web browser within the properties to allow real-world electronic commerce from inside the game, but the effectiveness of these systems is yet to be tested. Using in-game text-based chat and command systems to conduct transactions is an opportunity that

Pizza Hut began to explore in its "/pizza" *Everquest II* campaign. In-game voice chat applications could connect players with merchants in a way similar to online click-to-call voice-over-IP banners, although it seems to be much easier to scrub your business's toll-free phone number onto a castle wall and count on players to pick up their real-life cell phones and call you directly if what you sell is something as immediately desirable as pizza.

On the other hand, if you are concerned with building a stronger brand in the minds of a smaller group of people more than with achieving a wide reach or an immediate payback, games can deliver good value. Considering that an average title is designed to provide between 10-20 hours of unique playtime experience and that gamers often go through the game several times on multiple difficulty settings, games are a highly "sticky" medium; on average, gamers spend 41.7 hours with the last game they purchased.[47] While the bulk of playtime for the new game falls on the first month or two after the purchase, the curve never really falls to zero, which means gamers come back to replay old titles if they are compatible with new hardware. A number of games that achieved a cult status in their genres remain wildly popular years after they first hit the market. *Counter-Strike*, for example, was released in 1999 and still remains the most widely played online first-person shooter.[48] The Subway fast-food chain recently capitalized on the game's popularity by placing its banners in *Counter-Strike*, apparently with success that was lauded in a press release by the agency:

> g After only three weeks of advertising in the most popular online action game played among men 18 to 34, SUBWAY® reached 31,000 unique gamers and achieved more than 19,000 eyeball hours of exposure in one market alone. All SUBWAY® markets running in-game advertising are seeing a measurable increase in traffic and sales."[49]

Contrary to concerns registered by *Salon* as far back as 1999[50] that gamers would be outraged to see ads in the games for which they have already paid dozens of dollars, research demonstrates that players generally don't mind brand presence in their virtual worlds. A comScore study found that few gamers would be unlikely to play games that included product placements and that nearly half of heavy gamers (those playing over 16 hours a week) recognize that "in-game advertising was an inevitable part of the future of their play."[51] While gamers occasionally complain about in-game ads on forums, the outbursts seem to subside fairly quickly.

Moreover, all research conducted to date indicates that players demonstrate stronger recall and purchase intent after being exposed to brands during game sessions. A joint study conducted by Nielsen Entertainment, Chrysler and game publisher Activision showed that

> "Participants who recalled seeing a specific brand advertised in-game were much more likely to express an interest in buying the associated product than were participants who did not recall seeing the brand. In some cases, brands that elicited significant recall in video games generated the same, or even higher, purchase interest than those products advertised via TV. [...] [N]early three in 10 noted that advertising in video games was more memorable than traditional television advertising."[52]

The same study later found that "the combination of product integration and pervasiveness

results in a high degree of persuasion -- the willingness of consumers to change their opinions of a brand and/or recommend it to others -- and establishes that video games drive persuasion."[53] A study conducted by Nielsen Interactive Entertainment for a game ad agency Double Fusion found that in-game ads generate a 60-percent increase in awareness for new products.[54]

While these data were commissioned by the parties that have a stake in turning in positive results, they are confirmed by independent, albeit scarce, research. A limited study conducted by a group of University of London researchers in 2004 "provided some evidence that in the virtual world billboards for both high and low value products have a higher recall than in 'real life' situations such as sports events," although they note that brand exposure and recall does not automatically translate into an intent to buy the advertised product.[55] The study confirmed earlier findings that "game players, even upon playing a game for the first time and for only a limited amount of time, were readily able to recall brands placed within games both in the short- and long-term."[56]

Back in 2004, Jay Horwitz wrote in his concept report for Jupiter Research that advertisers would not be able to make efficient decisions about in-game ad spending without the following three elements: objective ad space valuation, tracking and measurement systems, and effective mechanisms for advertising distribution.[57] While estimating the exact value of different ad formats across the entire spectrum of games is still nearly impossible, the other two puzzle pieces are already coming into place.

First, in-game advertising is becoming increasingly more measurable. Advertisers that once had to rely almost exclusively on game sales numbers and the average play time to estimate the exposure are now getting access to real-time statistics on how many, where, for how long and under what angle players see their ad unit and how they interact with it. A former Nielsen Interactive Entertainment executive Michael Dowling has recently launched a new company Interpret that "will provide title, demographics, reach, frequency, duration and depth of engagement metrics".[58]

In fact, games are so much more measurable than other media that at least one company builds game-like model cities to measure potential exposure to outdoor advertising in real life. *Media Daily News* reported that "Alpha MediaWorks' program [...] allows users to drop up to six different ads in standard digital formats to simulate a campaign using outdoor spaces, including billboards and bus kiosks. Formats include 8 sheets, 30 sheets, bulletins, and shelters, all viewable in day and night settings. The interface, reminiscent of urban shoot-'em-up video game "Grand Theft Auto" (without the gore, of course), may also be useful for selling clients or senior execs on campaigns."[59] It is not technologically impossible for advertisers to track whether players pass along branded items and to monitor player conversations to see whether the campaign generates any in-game buzz.

Second, ad distribution is becoming more standardized and automated. Advertisers planning to build a unique brand presence still have to allow for the long lead times and do things "manually", but those who are content with the game-world analogues of banners and billboards can turn to the growing number of intermediaries that stream advertising into the games live over the Internet and have their brands integrated immediately following the publisher's approval. The sophistication level of the technology is such that

advertisers can have their ads displayed during particular day parts, to selected demographics and in languages that match player locations.

After years of smoldering in obscurity, the in-game ad market is finally growing. The spending on in-game advertising amounted to $70 million in 2005, an impressive boost from the meager $15 million[60] the previous year, although a far cry from the $1 billion predicted in 2002.[61] Experts and professionals who follow the industry unanimously predict an explosive growth in the next few years, although their estimates vary wildly. On the low end, Parks Associates expect in-game advertising to double each year to reach $432 million by 2010.[62] Yankee Group puts the number at $732 million for the same period[63], while Jupiter Research's analyst Jay Horowitz forecasts $1 billion.[64] Mitch Davis, the CEO of in-game ad placement company Massive, had the audience at an industry gathering drop the collective jaw by pegging the spending at $1.8 billion in the US.[65]

These estimates need to be taken with a grain of salt since for the lack of historical data they are probably derived by extrapolating the growth of digital advertising markets in other media, but whatever the actual numbers might be in the end, they are sufficiently high to have prompted Microsoft into acquiring Massive in May of 2006 for a staggering amount reported to be in the range of $200-$400 million.[66] Other companies that provide advertisers with access to gamers' screens have also received generous infusions of capital from big-name investors all within the span of one year: Intel Capital pitched in $5 million for the first-round of financing for Massive's competitor IGA[67]; Viacom paid $102 million for Xfire that makes an instant messenger for gamers[68]; and News Corporation bought IGN Entertainment -- that among other projects runs a popular game review site GameSpy.com -- for $650 million.[69]

In general, game advertising remains a hard sell despite several high-profile deals that have attracted media attention. A Forrester survey of 253 interactive marketers showed that 72 percent of them would not use games as an ad medium in 2007.[70] They attribute this reluctance to the growing complexity of the digital media space, limited resources and lack of knowledge, but another reason is that games aren't seen as being able to deliver the mass sufficiently interesting to mass advertisers. With the advent of advertising networks such as Massive and IGA that spread advertising inventory across many titles and lower transaction costs, this particular concern might disappear, but it is still hard to argue with skeptics who claim that the numbers are still not there to make in-game advertising an attractive proposition on a wide scale in the short term. Moving in into the game space early, however, gives an advertiser several distinct, cost-efficient and unique advantages that will compensate for the medium's currently limited reach and a high learning curve.

The vast virtual lands will not remain unspoiled forever. Even a year ago, the game space was very much like what the web was in 1994 -- with some individual commercial activity, a few banners here and there, but largely unfamiliar with advertising. Today, it's 1996: first ad networks are being established, investors are rushing to grab the best land, a lot of experimentation is going on and standards are yet to be set. Tomorrow, it may be the dotcom boom all over again, with every single inch filled with ads and game publishers relying on advertising to bring in a large part of their revenue, especially if the game sales

will remain as flat as they have over the past few years.[71] However high the recall rates for in-game ads might be today, they are bound to drop when the landscape becomes peppered with competing messages and users learn to ignore the ad noise that will have lost its novelty. By moving in now, you can count on a fairly exclusive high-impact position for your brand at the prices that are likely to inflate in the future.

Games are also a great natural sandbox to try new product and marketing ideas. With many worlds now featuring commercial infrastructures for exchanging goods and money, however fictional, the advertisers can test their campaigns against the ultimate benchmark -- paid transactions. Launch a campaign for a fictional product through in-game billboards, put this fictional product on the play shelves, and watch the fictional cash register ringing. American Apparel is doing just that: the company has opened a store in the world of *Second Life* where for a dollar it sells avatar outfits that are modeled after their real-world merchandise. They are now planning an event where for every item bought in the game the player will receive a discount on the real-world counterpart.

If you are interested in social networking, emergent behavior, the hive mind, smart mobs or viral distribution of information, the massively multiplayer games such as *World of Warcraft*, *Second Life*, *Everquest*, *Guild Wars* and many others provide a real-time bird's eye view of social dynamics and an opportunity to test your assumptions one variable at a time. Start a meme and time how long it will take to propagate to a certain point while observing the path it follows to identify opinion leaders and social clusters. Give players tools to construct a store and then watch how they arrange the shelves. Even watching players design their own avatars offers rich insights into their self-perception, dreams and beliefs. Marketing anthropologists have been just handed a very valuable tool whose potential they are yet to discover.

Finally, treat your game experiments not as a marketing expense but as an R&D investment. Many media are already incorporating game-like elements either in the type of content they offer or the way they structure interactive experiences. Google is offering free access to its 3-D modeling software and now everyone with a computer and an Internet access can upload models of buildings and objects into its Google Earth application that already begins to look like *Second Life*. Some observers of the game space are cautiously saying that games offer a glimpse of what the next iteration of web is likely to become -- even more social than now because of the real-time nature of interactions, three-dimensional, and mediated through avatars. If their predictions turn out correct, then by experimenting with games today you will acquire skills necessary to respond to the inevitable changes in the future.

The bottom line is that there is very little to lose today by investing some time and resources into exploring the game worlds. In-game advertising today is still mostly play, which means the mistakes are forgiven, the costs are low, and the fun factor is indisputable.

Part II
NATURE OF THE MEDIUM

Games in general are nothing to be afraid of (although some, such as the horror title Silent Hill, are) and this chapter shows that games share many of their features with other media and that advertisers will be able to leverage their award-winning skills honed in work with more traditional environments. Other aspects of gaming are unique but have the potential to fulfill many of the old advertising fantasies. If you have ever longed for a chance to create an immersive brand experience in your customers' living rooms, your wish may have finally been granted.

Marketers have learned the hard way that every new medium demands new skills on the part of everyone involved in the advertising process: planners, media buyers, artists, directors, copywriters, producers. Usually, their response is more reactive than proactive; the arrival of the next big thing catches them off guard and they rush to scrap the bits of whatever knowledge they can find trying to make sense of the storm around them. The problem is with the system. For economic reasons, advertisers have been traditionally interested in "mass" and the new medium appears on ad planning radars only after it has reached a certain level of popular acceptance. Yet when it does, it is often too late for advertisers to direct its development in a direction that would suit them best, and they are left with little choice but to react to the situation on hand. Pyra Labs' Blogger (subsequently acquired by Google) was launched in 1999, but it has taken mainstream advertisers half a decade to realize web logs' advertising potential. The first version of the RSS content syndication format was written the same year as Blogger and is yet to appear on any but the most daring of media budgets. It must be one of the greatest ad ironies that most new media channels are created on the hopes of advertising being the major revenue source and yet by the time advertisers react, many of these new properties run out of steam and into oblivion.

Games have remained largely ad-free throughout their history and the spotlight of mainstream advertising really began advancing onto them only a few years ago. As it crept closer, the familiar question from the ad quarters grew louder: "How do we take advantage of it?" The question is one of hope, suspicion and insecurity. Hope -- because advertisers today frantically seek replacement for their traditional advertising model that everyone is pronouncing dead and games carry the hyped up promise of being the next really big thing. Suspicion -- because there have been way too many next big things on the recent memory that didn't quite make it big enough. Insecurity -- because if gaming does become big, then how do we, advertisers, prepare for it?

Even if your gaming experience extends little beyond *Pac-Man* arcades or *Solitaire* procrastination, you already know something important about the medium. Its feedback mechanism includes static and animated visuals, text and often sound, that what you see on the screen changes in response to your actions, and that you are rewarded for certain behavior. Some of it is instantly familiar; advertisers have been relying on visuals, sound and text to create excitement about products since the industry's early days. Things like responsive content with a built-in rewards system are more esoteric but not entirely unknown, especially in the days of the Web but even from the less digital era -- think about in-store product demonstrations and Chutes and Ladders on the back of cereal boxes. You will find that gaming is a very unique medium in its own right but also because of its high level of *multimediation* -- they way it resembles some media forms and incorporates others.

Even if gaming is new to brands, it is not, strictly speaking, a *brand new* medium. Games have been making their bleeping noises for some 40 years and have gone through at least three generations of changes, although many of the old titles still linger on modern portable devices.

The first game was born at the Department of Energy's Brookhaven National Laboratory. William Higinbotham, then a head of the instrumentation division at the laboratory, was looking for a way to spice up the lab's static exhibits that were drawing numerous visitors.

He hooked up an oscilloscope to an analog computer with two brick-like controllers each equipped with a knob and a button. The screen simulated a tennis court from a side view – that is, it showed a horizontal line and a perpendicular dash that symbolized the edge of the net. The game was called *Tennis for Two* and the year was 1958.[72]

Four years later, three MIT students found themselves marveling at a newly arrived computer and thinking about all the fun things they could do with it. PDP-1 was more compact than its predecessor TX-0, had a CRT display, a keyboard, and in the words of one of these students, "It was the first computer that did not require one to have an E.E. degree and the patience of Buddha to start it up in the morning."[73] The fun thing they thought up was *Spacewar!*, a game with two armed spaceships trying to shoot one another with an accurate representation of a night sky as the backdrop. Besides being fun, *Spacewar!* turned out to be a good diagnostic tool for the computer and the monitor, and the PDP-1 manufacturer decided to use it for factory testing and shipped the machine with the game already loaded into the memory putting it into the hands of curious if slightly bored experimenters in computer labs across America.[74]

Some time after the *Spacewar!,* programmers around the country began writing text-based games. *Hamurabi*, a game simulator of economic processes, allowed players to type in tax rates and other parameters to control the kingdom's health. *Hunt the Wumpus*, a predecessor of the Dungeons & Dragons genre, was a textual maze of tunnels and rooms inhabited by a mysterious monster.[75] These games, initially developed for mainframe machines, were later rewritten and distributed by hobbyists for the first home computers of the 1970s. In 1977, Apple began selling program cassettes with games for its increasingly popular Apple I computer; one of these games was *Hamurabi*.[76] The market for home computer games was expanded with the introduction in 1977 of a competing PET system by Commodore. Just like Apple computers, Commodore's were compact, user-friendly and comparatively cheap but considered inferior in scientific circles and sold primarily to gamers public.[77]

One person influenced by *Spacewar!* was Nolan Bushnell, a student at the university of Utah, one of the few schools equipped with PDP computers at the time. In 1965, Bushnell got a job at a carnival arcade and wondered what it might take to create a computer-powered game, but the bulk and cost of the equipment would make any such attempts unfeasible. In 1970, when the components became cheap and small enough, he built *Computer Space*, an arcade game based on *Spacewar!*. Bushnell sold it to an arcade maker Nutting Associates that a year later manufactured the first 1,500 *Computer Space* machines. [78] The machine consisted of a dedicated computer that hooked up to a television set and was equipped with a coin collector and a set of controls.[79] Bushnell can be credited with making computer games on profitable enterprise, especially after his next game, *Pong*, became a smashing hit. At the same time, by designing *Computer Space* as an arcade he made it part of the coin-op business that had been in existence for decades. Video game arcades, argues media archeologist Erkki Huhtamo, were direct descendants of the game parlors and have inherited their negative reputation. "The widely publicized prejudices against arcade video games and the arcades themselves were probably one of the reasons for the breakthrough of home gaming: parents bought video game consoles for their children to keep them away from those diabolic places." [80]

Computer games owe to arcades more than their bad reputation. Many of the concepts found in today's popular games were implemented in analog machines in the first half of the 20th century. For example, many modern arcade games (and later console and PC games) -- *Shooting Master* (Sega, 1984)[81] or *Wing Shooting Championship* (Sammy, 2002)[82] -- employ a toy gun as a control device, an idea that can be traced as far back as 1894 to the *Automatic Game Shooter* coin-op machine[83]. The more modern version of the gun that relied on light emission for target detection appeared in the 1930s and was incorporated into the first arcade shooting game Seeburgh Ray-O-Lite in 1936.[84]

Game consoles are the third pillar of the gaming industry along with personal computers and arcades. Just as Bushnell was pursuing his vision, an engineer at a military electronics development company was following his own dream of making TV sets – of which there were over 40 million in the American homes at the time - capable of more than just showing broadcasts. The idea to add game functionality to a standard TV came to Ralph Baer in 1949, but it wasn't until 1966 that he put down on paper what he describes as "a small "game box" that would do neat things and cost, perhaps, twenty-five dollars at retail."[85]

Baer signed the deal with a TV set manufacturer Magnavox and in 1972 the company unveiled the first video game console Odyssey ITL200. The console came out with a set of game cartridges (that altered the circuitry of the machine but didn't carry any software), a light rifle, plastic overlays with pre-drawn pictures that stuck on the TV screen and provided the context for different games, and a wide range of accessories that included stick-on numbers, secret message cards, dice, and play money.[86]

However, initially Baer had planned for a system that would combine the interactive functionality of a set-top box with the rich visual imagery delivered by cable companies directly into the living room TV sets.[87] Had the cable TV industry not experienced a downturn at that very time, the future of gaming and perhaps of TV advertising would have been different. Yet, the project between Baer and TelePrompTer, then the largest cable operator, fizzled out due to lack of funding. It would take the game industry more than a decade to develop graphical capabilities rich enough to allow for a visual representation of a simple logo.

The late 1970s and the early 1980s were the formative times for the gaming industry defined by the same kind of artistic experimentation that marked the early years of film and television and it was this period when most of the genres that exist today were born.[88] Advances in computation and representation technology had allowed designers to experiment with spaces and characters, and much of this experimentation and progress "was due to the desire to measure up to the standards of visual realism set by film and television."[89] The medium acquired and continued to perfect sound; designers were learning to program music to respond to in-game events. In 1979, *Major League Baseball* became the first game to feature commentary in a computer-generated voice.[90]

Games are like television and film

The link between games and TV and film comes as no surprise and the bridge between the media will only grow stronger, which can't be a bad news for the industry relishing its 30-second-spot glory and lamenting the apparently imminent death of the genre. If we visualize the two media systems as giant funnels, we will see that they both share -- or more accurately, fight for -- the same receiving end that is the living-room TV set.

Under the hood, the similarities and overlaps are numerous and striking. Most modern games feature thoroughly developed characters, elaborate settings and twisted plotlines. Media scholar Mark Wolf writes that the similarities extend far beyond.[91] Advertisers will recognize many concepts and conventions familiar from film and television theory: spatial orientation, camera angles, lighting, editing, character development, dialogue. The game production process involves Hollywood professionals who perform a range of duties from sound production to visual effects creation. Hironobu Sakaguchi's *Final Fantasy: The Spirits Within* looked like a hundred minutes of a video game minus a joystick (the game *Final Fantasy* itself is in its eleventh sequel). The upcoming *S.T.A.L.K.E.R* title includes real-world video footage of Chernobyl disaster; many others include what they call *cinematic sequences* to further the story. There are TV shows *about* games and TV shows *in* games. MTV ran a fashion show inside *Second Life* and then rebroadcast it on their regular TV channel; they also recently showed a segment on an in-game performance of a U2 tribute band. In a step that will further blur the lines between TV and games, the company is launching a virtual mini-world that will revolve around the plot of the concurrent Laguna Beach show, adding new twists as the story develops.[92]

There are games based on movies (the entire *Lord of the Ring* franchise, or the *Matrix* titles, or innumerable *Star Wars*) and there are movies based on games (*Lara Croft*, *Doom*, *Pokemon*, *Bloodrayne*, *Resident Evil*, *Mortal Combat*, *Tron*). One of the most anticipated games of this year was about making movies. It was called *The Movies*. The game became a new tool for machinima enthusiasts – people who create short animated movies using computer games as the set, the cast and the camera, and who now have their own film festival. Some videos, such as the four seasons of the popular *Red vs Blue* series shot in *Halo* by Rooster Teeth Productions are sold on regular DVDs at a price comparable to mainstream TV shows. Submissions for video contests by Converse and Volvo included clips created with games.

We soon will be able to strike the "like" entirely out of the equation; instead of games being *like* television, the two are rapidly morphing along several lines. TiVo boxes already serve games onto TV screens; a start-up company Zodiac streams games to the living rooms via cable and so does Comcast. Some games come on DVDs that require no other hardware besides a TV set and a regular DVD player. Disney's *Chicken Little* DVD comes with a trivia game playable with a remote control. Games are among the features offered by interactive television providers; these games can be played solo or in competition with other viewers. Gaming is also becoming a spectator sport. A few months ago (in April of 2006), USA Network announced that it would broadcast the entire season of Major League Gaming tournaments.[93] USA Network reaches 90 million cable subscribers. Major League Gaming is no child's play either; its website says the league "operates its online,

television production, game development and product licensing operations through MLG Properties and through MLG Management develops the careers of a roster of the world's most accomplished pro gamers."[94] The US Patent # 6,999,083 granted to Microsoft in March of 2006 "brings new innovation to online gaming by allowing consumers to tune into a video game much as they would a sporting event broadcast."[95]

The new medium gave birth to its own celebrities whose fame rivals that of Hollywood stars. Mario, the main protagonist of the bestselling *Mario Bros*. franchise, was at the peak of his popularity an icon more recognizable than Mickey Mouse[96] and his likeness adorned the boxes of Ralston Nintendo Action Cereal System.[97] For two years in a row, Playboy has published a special October issue dedicated to female video game heroines, pin-up style, to an overwhelming success. MTV's *Video Mods* show takes popular video game characters and inserts them into music videos. Johnathan Wendel is one of the most famous professional video game players and his alias Fatal1ty appears as a brand on third-party computer hardware products. A *World of Warcraft* player avatar Leeroy Jenkins was propelled to fame overnight when a video of his in-game suicidal streak began making rounds on file-sharing sites. A trading cards publisher Upper Deck dedicated a special card to Leeroy,[98] and the TV quiz show *Jeopardy!* featured his name in one of its questions.

The take-away is that many fundamentals and mechanics of TV advertising remain intact in the game world. Technically, you can even force your way into games with a recycled 30-second spot, shoving it in between levels, but more creative opportunities abound. Some ideas: hire a game celebrity to endorse your product, recreate your spot using game assets, or even perform it live on a custom-built set.

Games are like print

It might seem a stretch to compare the decidedly cutting-edge medium of virtual reality to the somewhat old-fashioned media of dead trees -- newspapers, magazines and books -- yet they do share one important feature, the printed word. The predecessors of today's visually rich game-worlds were entirely text based. Text adventures, MUDs, and interactive fiction are genres whose popularity once withered but that are now finding a new life on lower-resolution devices such as cell phones and iPods. An unintended example of how a text-based world can accommodate brands is *Coke Is It* (1999), a set of interactive fiction pieces by seven authors. Created as a parody, the games were based on then-popular titles, *The Hitchhiker's Guide to the Galaxy* among them, and incorporated Coca-Cola products in humorous settings. Matthew Murray, who reviewed the game, noted, "While each one is unabashedly silly, likewise is each -- in the final analysis -- not too bad of an ad after all."[99] For all their technological prowess, modern games continue to rely on text for plot development (game manuals, too, still play an important role in setting up a story), communication between players and NPCs (non-playing characters, or automated actors) and such mundane tasks as providing instructions or listing transaction history.

Just as they transcend the confines of the game console and flow over onto film, games also extend themselves onto printed pages, inspiring esoteric fan fiction stories and commercially published books (see, for example, Richard Knaak's series based on Blizzard's games *Diablo* and *Warcraft*.) While not necessarily appropriate for direct

advertising, these forms of transmedia storytelling can prove an echo chamber for a craftily executed in-game placement, magnifying its effect.

More to the point, many games feature in-world media that most often take form of books, scrolls or newspapers. The terrain of *Second Life* is peppered with yellow boxes containing *The Metaverse Messenger* that dubs itself "a real newspaper for a virtual world", and as such contains ads for in-game products. The publication's website claims the PDF version of the newspaper has been downloaded 38,135 times in June 2006, not a bad circulation for publication in a world of 300,000 characters (and even fewer human players).[100] Cory Doctorow, a science-fiction writer, held a promotional event in *Second Life* for his real-life novel *Someone Comes to Town, Someone Leaves Town* by printing and signing virtual copies of the book, and so did journalist Julian Dibbell a year later.[101] Many games use dummy newspapers and magazines as props with limited or no functionality. *The Sims* has a newspaper with hard-coded fictional news the character could read, as well as "help wanted" ads that offer opportunities for the character to earn play money. Newspapers in *The Sims 2* can be folded into airplanes and feature playable crossword puzzles.[102] Vicarious media for vicarious living.

Altogether, the printed word is stronger than ever and ink in virtual worlds is still bought by the barrel. If you can't imagine an ad without a headline and a copy, your skills are in a strong demand. If your field of expertise lies in the area of catalogs and Sunday circulars, there's room for you, too.

Games are like the Web

Or, more accurately, online games provide a particular kind of interface to many functions for which the web is well known. To name a few:

Games can function as virtual marketplaces for economical transactions of various complexity. In the recent past, most of the traded goods and services were meaningful only within the context of the game where the exchange took place; that is, players paid other players token money to buy such game artifacts as weapons and outfits or to have their characters advanced to higher levels. In other words, players were paying for content they considered premium that had little application outside of the game, even if the playmoney could be exchanged for real dollars in the secondary and often semi-legal markets. The tide is changing, however, as some game environments are beginning to allow real-life goods on their marketplace. When American Apparel opened a storefront in *Second Life* (June 2006) where it offered virtual representations of real outfits, its representative announced plans to link shopping in one world by offering discounts in the other. A number of enterprising players are selling real computer hardware for *Second Life's* Linden dollars that can be converted back into US currency through the game's "forex market".

At least in part driven by the commercial opportunities these new markets are presenting, players are turning games into platforms for content creation and distribution, an outlet for micro-publishing, self-expression, and social commentary. Machinima is only a visible part of this movement, an iceberg tip that indicates presence but not the magnitude of the phenomenon. In-game art, film and especially dance events are a common sight in the

worlds that span a timeline from the Middle Earth to the far future. Citizen protests rock governments and pantheons. Communities that find themselves on the fringe of the real world have become a vibrant part of the virtual life. Fan communities manifest love to their heroes and at times to real-world brands. Player-made Coke machines can be found in any self-respecting bar in *Second Life*. Someone has created and uploaded an entire Ikea furniture collection onto his *Sims* inventory.

Games have built-in systems that allow players to communicate with each other and that look and work like familiar instant messenger programs. Advertisers that are slowly learning how to leverage these systems in the real world will be able to apply this knowledge in the virtual worlds as well. MTV Networks has recently acquired XFire, a company that provides IM software that allows players to communicate across games and view ads in the process. A number of companies are experimenting with content distribution through instant messaging, delivering information ranging from show times to stock reports. In an environment where playing gamers are actively shut off from other media channels, IM could be the only advertising artery to their hearts.

The rise of Friendster.com and later MySpace.com, Facebook.com and similar sites has attracted advertisers' attention to the power of social online networking. Gamers' networks, while lacking the stratospheric numbers of MySpace, must be not unlike those of expatriate workers abroad: closely knit, bubbling with inside jokes and references, and bonded by the sense of belonging to a common homeland far, far away. And unlike web-based communities where contacts between members are often exclusively asynchronous, games provide an environment of real-time communication aided by the illusion of physical proximity.

Games are like music

Soundtracks to games -- the one for the latest *Grand Theft Auto* sequel came out on eight disks --- are sold in music stores and orchestras perform game tunes to packed halls. The music industry could learn a thing or two from games about CD packaging. I have known people who would buy $60 titles that are freely available for download on pirate networks just to get the box with fancy art and the game-related goodies that come in the package.

Radio tuners routinely come with any half-decent apartment for rent in *Second Life* and playlists mix in-game DJing and sounds imported the outer world. How long will it be until Clear Channel adds a few more affiliates from the other side of the virtual curtain?

Depeche Mode had its "Suffer Well" song translated into Simlish, the fictional language of *The Sims,* and performed in the game. Duran Duran has announced they are planning to give live concerts in *Second Life*. Games are becoming the hottest new channel for music promotion.

According to an *MTV.com* article, "record labels are focusing on unconventional avenues to expose new music to the masses," and games are at the forefront. *EA's Madden NFL 2003* featured new music by Bon Jovi and Good Charlotte and included artist, song and album information.[103] In 2004, EA Games partnered with Cherry Lane Music to create a joint music publishing venture Next Level Music where EA undertook to promote new

artists through its games.[104] A year later, the game company teamed up with Nettwerk Music Group to create EA Recordings, a label that would distribute the EA's music library through popular online services and as ringtones.[105] But EA is not alone on the game music publishing scene. Sony owns a music label, an entire game platform, makes cell phones and portable media players, and publishes games. Likewise, the French media conglomerate Vivendi owns the Universal Music Group with its dozen labels as well as Sierra Entertainment and Blizzard Entertainment on the game side. When Vivendi published both the albums by the rap artist 50 Cent and the game *50 Cent: Bulletproof* packed with four CDs worth of music and videos, it clearly demonstrated the power of a cross-media empire that pulls its resources together on a project.

The relationship between the gaming and music industries is not a recent one. In 1980, Bally launched *Rolling Stones*, a flashy flipper with an image of a bare-chested Mick Jagger behind the display glass. The game flyer promised that "Rolling Stones' hits, Satisfaction, Jumpin' Jack, Flash, Miss You and When The Whip Comes Down, echo throughout the game's play."[106] Another interesting license-based game of that period was *Journey Escape* (Data Age, 1982) made both for arcades and Atari consoles where a player had to guide the five members of then-popular rock'n'roll group Journey past the crowds of groupies, promoters and photographers. Like the *Rolling Stones* flipper before it, *Journey Escape* featured digitized songs of the band.[107] For the MTV generation, Sega produced *Michael Jackson's Moonwalker* (1989) that was based on the movie *Moonwalker* and featured the King of Pop saving kidnapped children and dancing to his own hits. In this ingenious piece of cross-media execution, Michael's moves were also his secret weapon -- he killed the baddies by making them dance along.[108]

The unique properties of games

If games were *exactly* like television, or radio, or a popular website, creating and placing ads in them would be a matter of recycling the existing creative material, which incidentally is what some advertisers have attempted in the past. Yet games possess a number of unique characteristics that throw advertising process into an uncharted territory offering an exiting mix of lucrative opportunities and deadly traps.

Unlike media that are consistent in how they let audiences interact with them, each individual game has a number of explicit and implicit rules that present certain barriers to entry for players and advertisers. While the process of reading *Wall Street Journal* remains consistent from one issue to the other and switching to *The New York Times* hardly involves a steep learning curve, games differ from each other and their own sequels not only in content but also in interface design (what does this icon do?), virtual geography (how do I get from point A to point B?), the mechanics of their peripherals (what button do I push now?), hardware requirements and settings (why is my mouse so slow?) and numerous other aspects. Games often rely on automated agents powered by artificial intelligence to further the story, pose challenges, provide guidance, instructions and valuable items, or entertain. Many IRC channels and now IM systems employ "bots" (from "robots") to police users and dispense information, and movies big on visual effects replace human actors with scripted avatars in crowd shots, but agents populating the game worlds by far surpass them in the level of interactivity, range of behaviors and sheer beauty.

Communicating with these agents requires a player to learn certain protocols, too. Unless a meta-game emerges to serve as a common platform for all other games, recycling *WSJ* ads in the *Times* will be infinitely easier than moving ad inventory from one game to the other.

Marketers rarely take advantage of the games' defining attribute -- the gameplay itself. Unlike other media, gaming is intrinsically goal-oriented and competitive, whether the fight is against a human adversary or a hostile environment. While brands often assist the player to achieve a particular goal (Red Bull power-ups in *Worms 3D* and many other product placements provide extra health, gold, power or abilities), act as a reward for passing a milestone (Pepsi's Pepsiman appears at the end of a round in a fighting game), or define an entire challenging environment as is the case with many advergames, we have yet to see a game where a brand would consciously "play for the baddies".

Unlike some other forms of content, games are rarely spoon-fed to an audience. Players go out of their way to acquire titles that retail for much more than many other mass-produced media. Gaming, like movie-going, is an active process, and players have certain expectations about the experience they are about to enjoy. These expectations rarely include advertising, which may explain why player tolerance for in-game ads could generally be lower than, say, for roadside billboards.

Gaming is also a very exclusive and foreground activity. Console games compete with TV for the screen real estate and the winner takes it all. Sometimes, a player might shut the game sound off and replace it with music from a home stereo or an MP3 player, but this is a rare example of gaming sharing bandwidth with other media activities. You can read a newspaper and watch TV, switching your focus between the two. When you are playing, you can hardly pay attention to other media.

First, the player bandwidth is usually full as most games employ several senses simultaneously. Watching TV and playing would be as cacophonic as listening to the radio and a CD at the same time. Taste and smell are perhaps the only senses that have not yet been used by games. Otherwise, games communicate with the player through a wide range of channels: music, ambient sound, surround effects, direct and "recorded" speech, animated and static images, color, light, distance and perspective, three dimensions, text, and in some instances touch (force-feedback joysticks, gamepads and wheels are common accessories). The opposite direction of information flow is also quickly acquiring new lanes. Players can input information by flicking a finger rested on a mouse, moving the entire body on *Dance Dance Revolution* pads, nodding head (captured on cameras), speaking up, or performing complex hand gestures (with the upcoming Nintendo Wii controller). This multisensory richness could be a branding goldmine; that is, unless the ad message is on a medium that has been shut off by gaming.

Second, while such media as television and radio can be a background but perceptible noise, the games are rarely played passively. Game environments require constant attention so that the player can react to the changing circumstances in a timely fashion, and other media channels remain outside of player's focus even if turned on. An eventual solution to this problem could be remediation -- the organic inclusion of real-world media into gameplay so that the protagonist in *Max Payne* could stop by a TV set in his police office and watch an episode of *Sopranos*.

On the other hand, disrupting the game flow by superimposing outside media will have the annoyance level of pop-up ads. Pizza Hut's "/pizza" code in Sony's *EveryQuest II* for example, summoned an external browser window on the top of ongoing game. The surprisingly mild reaction that followed would have been much more negative had the browser windows popped up sporadically and not in response to a deliberate player action (the novelty of the approach helped, too). Games that already have some sort of mechanism of economic transactions (street vendors, vending machines, stores) are much better suited for messages that call for immediate action on behalf of player than those in which this kind of behavior would be artificially imposed.

The fact that games demand constant attention and response from the audience is a problem for ads running in other media but an exciting opportunity for marketers creating ads for in-game placement. In games, consumers interact directly with the content and have an impact on the end result of the media experience; an experience that other media are only beginning to match with varying degrees of success. *American Idol* in the US and *Big Brother* franchises in Europe have experimented with remote voting that determines that outcome of the respective shows and radio and newspapers are now offering similar features but all rely on external technology, while mechanisms for content-related decision making are programmed directly into games. When other media acquire similar functionality they often become game-like; consider interactive movie DVDs or the entire ITV (interactive television), for example.

While some games allow direct user control over the elements -- one example is *Tetris* where you arrange falling bricks to prevent them from stacking up – many others rely on avatars to mediate player's interaction with the world. The debate around the relationship between a player and his avatar is ongoing and revolves around the question whether the avatar represents its owner's alter ego that, when put in a new environment, unlocks hidden personality traits. Edward Castronova argues that "[t]he body is the tool by which the mind receives sensation and manipulates the environment, and this avatar body does exactly and only that. And it makes sense to think of it as your body, just as someone with a prosthetic arm should think of it as his arm."[109] Paul Hemp, a *Harvard Business Review* editor, considers the implication of player-avatar relationship for in-game advertising, arguing that avatar can influence its player's purchasing decisions.[110]

In addition to letting players interact with the content, games often allow their audiences modify the very settings and props. Many games, at least on PC, come with built-in editing tools, fueling an entire cottage industry of "mods", or game modifications by enthusiasts. Player-generated content can range from customized avatars or unique items to new environments. One of the most popular shooters, *Counter- Strike*, was itself a mod of a game *Half-Life*. Players often create and incorporate items that closely resemble real-world brands (you can drive a fan-made truck around the cities of *Grand Theft Auto*), but marketers have only recently begun to make a conscious effort and provide necessary tools to cash in on player creativity.

The combination of a powerful story, challenging gameplay, interesting geography and the ability to assume a new persona create a phenomenon known as immersion that refers to the player's willingness to treat the game elements as actual events, the player's

emplacement within the virtual environment, and ability to "become" a character. Immersion is closely related to suspension of disbelief, or the willingness of players to suspend their critical facilities to the extent of ignoring inconsistencies. While immersion is not unique to the medium, it is a critical element in escapist games and is protected to the point where managers of some online worlds impose strict naming requirements and prohibit any "out of character" conversations between players.

Immersion is what makes in-game remediation work by breaking "the fourth wall" and putting the player in direct contact with virtual media. When your avatar stares at a billboard, a newspaper, or a TV, you stare with or even through him. The effect of such embedded media is yet to be studied and will lead to interesting questions: does violence in virtual media cause violence on virtual streets where murder is a socially accepted behavior? For marketers, in-game remediation provides opportunities that border on paradoxical. Can you picture advertising in computer games that are played on pub arcades by the gangsters of *Grand Theft Auto*?

Immersion in general is a double-edged sword for the advertiser. On the one hand, it imposes rigid boundaries on the type and amount of branded content that can be injected into a game, and these constraints can be too tight for a brand strategy. On the other hand, immersive environments can take player-brand interaction to an entirely new level unparalleled by other media.

Part III
THE MANY WAYS TO ADVERTISE

During the sobering years immediately following the dotcom bust, in-game advertising was once again off the marketing radar, but not for long. The past two years have witnessed an explosion in the number of service providers that have blown the dust off the advertising formats of the 1990s while experimenting with the new ways to reconnect brands and games. This chapter considers the many existing formats that are more or less readily available to the advertiser along with their historical roots and explores potential opportunities that remain untapped. Two games are of the special interest in this regard and are discussed in greater detail. One is Grand Theft Auto: San Andreas, *the other* -- Second Life.

It is hard to pinpoint the exact moment when brands became part of games. The Internet Pinball Machine database that lists 4,832 different units contains images of the *Mustang* (1964, Chicago Coin) machine. Whether the makers licensed the brand name of the Ford's new sports car that appeared in April of the same year is unclear but the website describes it as being about car culture, and the game's playing field and backglass art incorporate images of cars that look similar to those early Mustang models.[111]

Brands made cameos on the mainframe computers as well. One of the early games for these machines was Lunar Lander, a text-based simulation where a player piloted a spacecraft by typing in acceleration values. In 1973, Digital Equipment Corporation commissioned a graphical version of the game to demonstrate the capabilities of their new GT40 graphics terminal. One of the game versions included a hidden feature:

> If you landed at exactly the right spot, a McDonalds appeared. The astronaut would come out, walk over to the McDonalds and order a Big Mac to go, walk back and take off again. If you crashed ON the McDonalds, it would print out "You clod! You've destroyed the only McDonald's on the Moon!"[112]

Advertisers began showing real interest in games around 1982 when the gaming industry was enjoying its first true boom. That year, the American public bought $3 billion worth of games (over $6 billion in today's money), tripling the previous year's amount.[113] The arcade industry was even bigger. By 1982, Americans were spending 75,000 man-years and $5 billion a year playing video game arcades. In its January 18 cover story, *Time* wrote: "For comparison, $5 billion is exactly twice the reported take in the last fiscal year of all of the casinos in Nevada. It is almost twice the $2.8 billion gross of the U.S. movie industry. And it is three times more than the combined television revenues and gate receipts last year of major league baseball, basketball and football."[114]

To capitalize on the new cultural phenomenon, McDonald's teamed up with Atari for a nationwide contest in which the restaurant gave away 12,000 video game consoles and home computers worth over $4 million.[115] In 1983, Parker Brothers was working on a McDonald's-themed game with Ronald feeding hungry aliens with shakes, fries and hamburgers and with the aliens biting into the Golden Arches, but apparently the game failed to generate interest outside the 8-9 year-old demographic and the project already advertised in the catalog was scrapped.[116]

Atari also made another game, this time for Coca-Cola, which was to be given away as a gift to the participants of Coke's sales convention in Atlanta. The game was a special version of *Space Invaders*, a blockbuster that had sold millions of copies since its release a few years earlier. The rows of aliens were replaced by the letters P, E, P, S, I and the command ship above them was replaced with a Pepsi logo. The player controlled a ship whose goal was to shoot down as many enemy characters as possible within the three-minute limit, after which the game would end and the message Coke Wins would flash across the screen.[117] Only 125 copies of *Pepsi Invaders* were made, but the game eventually trickled down into the broad gamer community.

Another way to reach the gaming demographic was through proprietary advergames, and 1982 can be considered the year when the genre was born. The advergames were

distributed through mail-order and although their exact number is unknown, three such titles are still fondly remembered. One was *Tooth Protector* from Johnson & Johnson, a bizarre game in which the main character, the Tooth Protector, was armed with a toothbrush, floss and dental rinse to protect teeth from the cubes dropped by Snack Attackers. The manual read:

> The game ends if 3 teeth disappear or if 3 T.P.s are carried away and eliminated by the Snack Attackers. When you are successful in protecting the teeth, valuable points will be accumulated, and there will be no end to the fun you can have![118]

The other game was by Ralston Purina whose commercials for Chuck Wagon dog food featured a tiny wagon rolling out from a bag of dog food and across the kitchen floor. The commercials apparently were so popular that the company decided to turn them into a computer game with the wagon as its main character. The game was appropriately titled *Chase the Chuck Wagon.*[119]

Finally, there was *Kool-Aid Man* made by M Network for General Foods.[120] It, too, was tied to a commercial in which a giant pitcher was breaking through a brick wall and served Kool-Aid to everyone in the vicinity; the concept was reiterated on the game's box art and in the opening sequence. In the game, the Kool-Aid Man fought evil Thirsties who were stealing water from a swimming pool.[121]

In general, marketers had not yet warmed to the idea of placing their brands in someone else's games, but the deal between Budweiser and Bally-Midway was a remarkable exception. Around 1983, Midway released an arcade game *Tapper*, whose main character was a bartender serving drinks to a crowd of thirsty patrons and picking up empty mugs. Budweiser's logo was prominently integrated into the *Tapper's* artwork and appeared on beer mugs, the wall behind the bar, umbrellas, a blimp hovering over a stadium in one of the game's levels, and was also made part of the artwork of the arcade machine itself. [122] George Gomez, a Midway veteran, gave a rare insight into the making of the deal:

> The *Tapper* concept was intended to leverage the strength of the Budweiser brand at Budweiser locations. The idea was to get Budweiser bars to put the product at their locations the same way that they install Budweiser icon art, point of purchase displays, and tap handles. If we could have installed one game at 1/3 of all Budweiser locations, the sheer numbers would have made the game a blockbuster game. The thought had been that we could capture the imagination of the Budweiser distributors and get their support. They were a fanatical group with tremendous influence on the brand. These are the guys that were painting Budweiser logos on the floors of their Olympic sized swimming pools and decorating their yachts with the logo.
>
> The marketing idea was born at Bally-Midway which means that Bally-Midway approached Bud and not the other way around. Bud could have cared less; to them it was just another promotion. They liked the fact that it was a topical approach since vid games were a hip and growing element of youth culture at the time. To Bally-Midway it meant potentially taking a game that would have yielded 10k units through normal channels into PAC MAN style numbers approaching 100k units.

> The Bud guys approved every piece of art and the entire implementation as licensors typically do.[123]

Unfortunately, the beer-themed game that was supposed to be placed only in bars soon found its way into the mainstream arcades. Parents were not happy about having their kids exposed to alcohol advertising, a public outcry ensued, and soon the game was stripped of all Budweiser references and renamed into a more innocuous *Root Beer Tapper*.

When the oversaturated game market collapsed in 1984, advertising all but disappeared but by the late 1980s it was back. In 1989, Domino's Pizza released *Avoid The Noid* to supplement an ongoing advertising campaign with a game story about a pizza-destroying antagonist gremlin Noid and a delivery boy who had to find his way through Noid-infested buildings. The box art featured Domino's boxes and offered a coupon for a free pizza topping.[124]

By the early 1990s, the game industry had fully rebound to find itself once again on the cover of *Time*. Life was definitely good, the story suggested. "What once seemed like a passing fad for preteen boys has grown into a global moneymaking machine that is gobbling up some of the most creative talents in Hollywood and tapping the coffers of media and communications conglomerates eager to get in on the action. Video games rake in $5.3 billion a year in the U.S. alone, about $400 million more than Americans spend going to the movies."

Advertising dollars were eddying in and the in-game advertising tradition born in the era of *Tooth Protector* and *Kool-Aid Man* began to take shape. Many executions of that time were advergames featuring brand mascots as protagonists. Some of these advergames were extensions of the ongoing ad campaigns. *The California Raisins* (1988) was one example of such integrated approach. The game about a fictional music band of singing raisins was based on the campaign for the California Raisin Advisory Board that was so popular that it spawned TV specials, a board game and a cartoon series.[125]

Other games put their recognizable brand mascots into situations that were entirely different from the main campaign theme. McDonald's, for example, had games of both types. One was *M.C. Kids* (1992) that put players on a quest to find Ronald's bag of magic bricks stolen by Hamburglar.[126] The other was *Treasure Island Adventure* (1993) where kids had to guide Ronald himself through a platformer maze.[127]

Some other brand characters that crossed the bridge into the virtual were the 7-Up's Spot (*Cool Spot*, 1993 and *Spot Goes to Hollywood*, 1995),[128] Frito-Lay's Chester Cheetah (Too Cool to Fool, 1992 and Chester Cheetah: Wild Wild Quest),[129,130] and Unilever's "psychotic spicy sausage" Peperami investigating the sudden disappearance of his town's mayor Peperenstein in a 3-D puzzle adventure *Animal* (1996).[131]

Aside from developing proprietary advergames, marketers also began to integrate their brands into games of others and executions ranged from brand mascot plugs(biscuit-maker McVitie's penguins in James Pond 2) [132] to game environments decorated with brand art (the abundant Chupa Chups lollipops in Zool).[133]

The demand for in-game ad services must have been high enough to prompt creation of a number of mediating agencies. One such company that cropped up in response to marketers' newly-found interest in games was BrandGames:

> "BrandGames is a New York-based marketing company that pioneered the use of branded games (now called advergaming) as a media platform in 1995," [company's VP Jim] Wexler explained. "Early on, we developed the idea that custom videogames featuring integrated brand messages do double duty -- as promotional incentives that drive sales and as media that deliver hours of brand-building awareness. The first branded games in the pre-web era were issued on floppy disk, for Chef Boyardee, Coca-Cola and Samsung. We created the first-ever advergames for clients including General Mills, Taco Bell, GAP and Reebok."[134]

Self-promotion aside (the company that began developing branded game experiences a decade ahead of BrandGames was the SoftAd Group, founded in 1985), [135] this quote reveals an important shift in marketers' attitude in the 1990s: games now were seen as a viable advertising medium whose power stretched beyond the toy baits of Happy Meals.

In 1999, a Pittsburgh company Adaboy filed a patent for a method that described

> "...advertising within the virtual environments of games. Default images of games are replaced by alternative textures having advertisements implemented therein. An ad server coordinates the matching of ads to demographic data of the game player and properly accommodates ads in formats from game information provided by game sources. The game player is visually influenced by advertisements as he or she views the virtual world of the game, as plug-in software replaces the default images with virtual pictures and figures utilizing an advertisement. View statistics are retrieved from the game player's computer or console to rate viewing effectiveness for ad placement confirmation and billing purposes." [136]

Adaboy and many other companies – Conducent and Radiate, for example -- that carried the light of advertising into the darkness of virtual worlds were soon buried under the rubbles of the dotcom bust and the collapsed advertising market. Their innovative plans were to put ads on splash and loading screens and into freely downloadble game demos, to enable, as a *Salon* article of that time put it, "*hot* product placement within games -- so that a click on a bag of M&Ms in a game, for example, could take you to an M&Ms Web site."[137]

They, it turns out, were ahead of their time, but even though many of these early companies have either disappeared or switched to a different business, they weren't forgotten and the experiments of the 1990s were already turning into fairly rigidly defined formats. By 2004, the year that can be marked as the beginning of the most recent cycle of interest toward in-game advertising, these formats have crystallized enough to prompt Jupiter Research to outline them in a concept report. The document identified branding, directed action, promotion and driving trial as objectives that can be achieved through in-game campaigns and its list included the following:

- **Advergames.** These are advertiser-sponsored development projects that infuse stand-alone games with branding messages. Many examples of such initiatives exist. However, few create tie-ins to direct consumer action—a critical, and easy, element.

- **Product placement.** Like in films, there are many examples of product placement in console and PC games: Electronic Arts's multimillion-dollar deals with Intel and McDonald's in *The Sims Online* as well as Activision's deal with Nokia in *Kelly Slater's Pro Surfer*. Video game technology has drastically improved the quality of simulation during the past decade. Game characters no longer wear obscure and formless garments. They instead sport the latest athletic shoes, carry the latest gadgets, and drive the latest cars.

- **Real-world analogs.** Just as banners offer analogous advertising vehicles in online content, 3-D environments provide space for ads with real-world analogs. Such vehicles include in-game billboards, sports banners on stadiums, and radio spots. These ads serve a dual role by both enriching the virtual game world with reality and providing direct advertising opportunities.

- **Cross-promotion.** There are innumerable opportunities for cross-promotion in video games. Media tie-ins as well as consumer product promotions with discounts, coupons, and rewards offer the most obvious strategies. There are also creative applications such as Capcom's promotion with the clothing company Diesel through its *Devil May Cry* franchise.[138]

Advergames are the oldest form of game advertising and they remain popular with advertisers for several reasons. One is business inertia: had the first brand mascot been placed in a third-party title instead of its own advergame, chances are that others would have followed the suit. The other reason is a mix of political and economical issues: marketers and their agencies prefer to retain full control over the creative while game developers are reluctant to let outsiders interfere into the design process. Besides, short-form advergames take little time and money to produce and they provide a tactical advantage for advertisers allowing them to react to a business opportunity on a relatively short notice.

Today, advergames come in a full range of flavors and sizes to fit budgets from thousands to millions of dollars. The most basic ones are built into banners and pop-ups that appear across the web. One ubiquitous example is the "punch-the-monkey-to-win-an-iPod" type, but there are more complex executions such as a customizable shooting scroller for Microsoft,[139] or a trivia mini-game for Sony's PlayStation 2.[140] On the other end of the budget spectrum are complex multi-player web-based worlds such Disney's *Virtual Magic Kingdom* that promotes the company's theme parks and enhances the gameplay experience with visits to its real-world locations where players can compete for secret codes that unlock valuable items back in the game.[141]

Full-length advergames for PCs and consoles are rare due to their high development costs, distribution complexities and the problem common for advergames in general -- they need to fight for consumer attention with other games and attracting audience to the property requires buying expensive ad space in other media. Although it is possible for several complementary non-competing brands to pull resources and build an advergame that would showcase them together, so far full-length advergames remained a luxury affordable only to the largest few. Reminiscent of the approach taken in *The Ford Simulator* of 1987, Volvo's *Drive for Life* for Xbox (2005) was "designed to immerse the user in Volvo's most important core value, safety -- while participating in an exciting gaming experience." The

game was distributed to Volvo dealers around the country.[142] Other advergames retail for the price of a regular game and are subject to third party reviews that can impact their popularity among prospective players. *World Racing* for Xbox released in 2003 by Mercedes-Benz and designed to showcase the car maker's model line-up received a dismal 4.3 out of 10 rating on *GameSpot*, a popular game review site.[143] *50 Cent: Bulletproof* was regarded as an interesting cross-media experiment by media watchers but widely criticized as a "no fun" gore fest of a game by everyone but the most devoted rap fans.

Incidentally, "no fun" captures the essence of the criticism mounted against advergames in general. Good -- that is, fun -- games are notoriously difficult to design regardless of who is cutting the check, and advertisers who lack either the experience or the luxury of the proper game design process are forced to take shortcuts. Instead of developing an experience that would engage player with the product, they often are content with spawning a branded clone of an already popular game, the practice that, as advergame designer Ian Bogost claims, adds value neither to the game nor to the brand.[144] As a result, many advergames that crowd the web are little more than a forgettable and disposable diversion with the shelf life of a mouse-click.

The challenge of designing an interesting game with a seamlessly integrated brand aside, there are many untapped opportunities to put your "playful" message in the right hands. Advergames for handheld platforms remain an interesting alternative that hasn't been exploited as widely as web-based properties. Pioneered by *Coca-Cola Kid* (1994) for Sega Game Gear, the format includes only a handful of titles with the newest one -- *Ford Street Racing* for Sony PlayStation Portable -- coming out in fall of 2006. With the total US install base for handheld consoles nearing 30 million[145], handheld advergames may be an opportunity to reach the younger players when they are away from their computers and TV sets. Usual warnings apply, of course: no single handheld platform dominates the market and distribution may prove a challenge, but perhaps including a GameBoy cartridge in a cereal box is an approach worth considering.

Another type of entertainment that will readily fit into cereal boxes are single-game handhelds, the kind that was pioneered and popularized in the 1980s by Nintendo's Game & Watch series. The cost of producing one must have gone down so much in the past two decades that McDonald's recently offered them as free Happy Meal toys.[146] Another undeservedly forgotten old platform is the so-called TV Game, a self-contained gaming device that connects directly to the TV set and does not require a massive game console. Its popularity was rekindled with the Atari's release of the 10-in-1 pack of retro games. And even though the arcade business is only a small fraction of what it used to be in its 1980s heyday, the machines can prove a convenient gateway to such insular market segments as college campuses. Bearing little resemblance to *Ping-Pong*, modern arcades are full-fledged media centers potentially able to stream music and video content to crowded student unions.

Handhelds for adults -- PDAs, smart phones and Blackberries -- have been largely overlooked by advertisers as well. Cell phones have attracted the most attention to date and the number of advergames released for the platform is growing, but most of the recent titles -- *Formula BMW Racing*, *Coca-Cola Christmas Quest*, *Suzuki Motocross Challenge* among others – resemble pixilated games of the mid-1990s and take little advantage of the

unique opportunities cell phones have to offer.

PDAs' potential also remains unexplored despite early successes. A PDA advergame promoting Microsoft Office 2003 was downloaded 65,000 to earn praise from a Microsoft marketing executive: "We were pretty blown away by the success of the campaign, in terms of the click-through rate, the number of downloads and the number of times people played the game. Also, there was a feature that allowed individuals to opt-in to receive more information about Microsoft Office 2003 and we saw opt-in rates that we haven't experienced using other media." 147

Marketers are only beginning to recognize Blackberry devices -- favorite among business users -- as an advertising medium that can help them reach the valuable demographic; PR blogger Steve Rubel described Blackberry as "more valuable real estate than the back page of the Wall Street Journal."148 Columbia Pictures was the first to use Blackberry as an advergaming platform when it released *RV Pile-up* (2006) to promote its RV movie starring Robin Williams.

Finally, the advergaming potential of iPod has not been realized at all, even though the ubiquitous device can be found in nearly 30 million American pockets.149 Granted, the popular music player is not known as a gaming platform outside a small circle of enthusiasts (although rumors have it that one of the next iPods will support games)150, but the device's capabilities and the number of games already available are greater than one would think. Most of the third-party games are text based and consist of either trivia quizzes or interactive fiction adventures such as an unofficial text version of *GTA: San Andreas*, but the device itself ships with four graphical games that include *Brick* and *Solitaire*. The MP3 player's limits were tested when enterprising software engineers made an old classic shooter *Doom* run on the device, an exercise that involved under-the-hood tinkering but showed the true capabilities of the system.

Real-world analogs

For the advertisers unwilling or unable to create their own cyber worlds, the number and variety of options to incorporate a brand message into the games of others is steadily increasing. If placing as little as a billboard in a popular racing game was a matter of prolonged negotiations and part of the overall game development process only a few years ago, today in-game ad networks such as Massive, IGA and Exent make it almost as easy as placing a banner on a web page. These companies work with game developers to have a piece of code included in their upcoming titles, and once the final product hits the stores and players' machines, the networks are able to stream ads from their servers directly into the pre-coded placeholders. The approach offers a number of advantages over hard-coding the ad unit into the game during development. Since the ads are placed in the games that are already on the market, advertisers' risk associated with the games' retail success is minimized; even if a particular game sells badly, advertisers will only pay for the number of actual ad impressions. The networks also reduce production overhead and provide flexibility and scalability generally unavailable to advertisers whose content is hardcoded into the game before its release.

While available formats that can be dynamically embedded into games by the networks are still largely limited to static fixed-size images, the companies are rapidly working to extend their offerings to include animation, video and sound. In mid-2005, Massive launched full motion ads with video and audio; the spots for Panasonic and Britain's Channel 4 were displayed on plasma screens and billboards throughout Funcom's *Anarchy Online*.[151] A year later, the company placed its first interactive unit -- a billboard for Toyota Yaris that reveals more information about the car upon touch.[152] Massive also has recently demonstrated branded three-dimensional objects animated in response to player behavior and billboards whose visibility changes depending on whether the game character is wearing night-vision goggles. IGA claims to have similar capabilities.

The networks face certain constraints, however. Because they rely on an active Internet connection to deliver ad units and gather statistics, their advertising at least in the near term is limited mostly to PC games. Jupiter Research shows that while approximately a half of American households own a console, the consoles are connected to the Internet in only 6 percent of homes[153] and "only 13 percent of the overall video game audience have positive interest level" in one.[154] (IGA Worldwide announced that it was extending its network to include mobile phones.)[155] Even when the game is played on a PC, the Internet connection can be turned off if it is not vital to the game play, or the game files can be modified to block signal from the ad server, although neither scenario is widespread enough to become a pressing issue for advertisers.

The standardization of formats offered by the networks is a double-edged sword. On the one hand, by using familiar approaches and terminology, they have been able to create a system that would allow advertisers to compare the value of in-game ads with online placements. Massive, for example, counts ad exposure in terms of impressions, one impression being defined as one user who sees the unit for a certain cumulative duration from a certain distance under a certain angle. (IGA instead counts non-cumulative continuous exposures.) On the other hand, the standardization of formats means that different ads will look almost exactly alike. They will also appear in the same placeholders, causing players to stop noticing the ads when thei novelty wears off and diluting the value of the ad buy.

While networks show great potential, their current value as facilitators is limited. The internet connection via which the ad units are delivered can be simply turned off if it's not vital to the gameplay. If the ads delivered over the internet pass the annoyance threshold, they will be switched off, and recently, two tech savvy student hackers have demonstrated how easy it is to prevent servers from feeding dynamic ads into their games by modifying a few lines of code. The networks' standard ad units are still constricted to billboards and branded textures (car decals, window displays, etc.). Any advertiser who requires a more unique format for now has to rely on one-off deals, although many of these deals can now be mediated by the networks as well. If the standard billboard units proliferate further, the players are likely to develop ad blindness similar to banner advertisers on the web. Most importantly, the standard banner format fails to take the full advantage of the medium's unique properties.

Another potential challenge that standard banner units face is being consistently suitable for a large number of games across the genre spectrum. While billboards appearing on

skyscrapers of the virtual Times Square in *True Crime: New York City* and advertising *The Chronicles of Riddick* movie, Motorola, Orange, or the US Navy look like a natural fit, posters promoting the premiere of *Deuce Bigalow: European Gigolo* in the extraterrestrial *Planetside* chagrined many commentators who proclaimed that "Massive Incorporated has opened up a whole new world of suck."[156] For the game that was carefully built to tell a story happening thousands of years in the future, a reference to an August 12 (presumably of 2005) opening single-handedly destroyed one of the most cherished properties of any game: its magic circle, a term coined by the Dutch theorist Huizinga that refers to a voluntary structure defining the time/space limits of play. In other words, these billboards disrupt the suspension of disbelief.

In all fairness, it is hard to blame Massive and other networks for this and other similarly blunt assaults on players' sensibilities. The ad agencies responsible for what appears on the billboards should have known better, because it's not as if a modern brand has never appeared in a sci-fi setting before. The tribute to the *Jaws* movie plugged into *Back to the Future II* takes form of billboard for *Jaws 19* with an appropriately monstrous and holographic shark jumping off the wall at Marty McFly. Nike plugged its own product into the movie by creating a pair of Power Lace Sneakers with some very believable futuristic attributes. This plug was so successful that it has inspired numerous attempts at sneaker-modding and spawned a cult following of its own with 20,500 signatures under an online petition requesting Nike to mass-manufacture the sneakers.[157] Likewise, the animated Gap billboards in *Minority Report*, whose world is set in 2054, address customers by name and inquire about their shopping plans. Again, a very believable representation of how billboards may behave in the future.

This brings us to one of the most important question of in-game advertising. Just about every report on the topic underscores that ads should enhance the game's realism. Massive on its own web site says that "the network brings together publishers, developers, advertisers and gamers, who all benefit from the *realism* that advertising brings to video games across all platforms" (emphasis mine). Yet, "realism" and "realistic" do not describe well the chemistry between the player, the game and advertising. After all, there is nothing "realistic" about people slaying orcs or blasting intergalactic invaders. On the other hand, a Sprite poster in the sci-fi world of *Anarchy Online* reeks of excessive realism.

What is required of an advertiser in a game instead is to *stay in character*. Many multi-player games have rules dating back to the early days of tabletop roleplaying games and MUD text adventures that any mention of real-life events gets the player kicked out of the world; players are not even allowed to select names for their characters that do not fit the general mood and style of the game. Two space marines talking about the upcoming Red Sox game in Boston on Monday are *out of character* and are ruining the immersive experience for everybody else unless they refer to the Rede Soxx team of Bosst Onn in their own virtual galaxy. A billboard promoting a Motley Crue album in *Anarchy Online* as it were is similarly *out of character*. A glowing monument commemorating the release of the said album 30,000 years ago, on the other hand, would have been *in character* and everyone would have gotten the message just as well.

Tweaking the creative execution of an ad to fit each game's unique setting is the key that opens doors to many virtual worlds beyond racing games and the Madden football

franchise. Once you accept this rule, then the proverbial dilemma -- would a Coke ad sit well with the orcs and dragons of the *World of Warcraft* -- becomes the question of finding the right angle and weaving an appropriate legend. (Although the temptation to Coke-brand the game's red potions of life is great and probably would be blunt to the point of being humorous.) For Coke, going into the *World of Warcraft* would not be unlike expanding to China where it managed to find a name that is both authentically Chinese, reflects the essence of the brand, and sounds like "Coca-Cola". Going virtual is not that different from entering a foreign market -- you have to study the laws of the new land, the habits of its people, the language they speak and many other little things that comprise the market's culture. Then tailor the campaign to fit the culture.

However, as already mentioned before, the rigidity of network formats does not yet leave much room for a precise cultural match between a brand and a game; after all, you can only do so much with a poster or a billboard. For a deeper level of integration, advertisers still have to rely on direct product placement.

Product placement

Gone are the days when a small cluster of red pixels with a white swoosh was the entire in-game presence Coca-Cola could expect for its money. Today, brand plugs leave nothing to the imagination and the universe of available options is limited only by the marketers' creativity and budget. These opportunities range from simply placing a logo or a billboard on an in-game building to integrating the product into the plot. What follows are the highlights of recent and ongoing in-game campaigns arranged by the type of placement they represent.

Rewards

Rewarding players with branded items is a tradition that dates back at least to the mid-1990s and is tied directly to the very nature of games. In what must be one of the first articles ever on the topic of in-game advertising, *Billboard* wrote in 1995, "Digital Pictures included a plug for Nike at the end of its basketball game *Slam City With Scottie Pippen.* At the conclusion, the gamer is "re-warded" with Nike products."[158] Pepsi's brand mascot, Pepsiman, appeared as a hidden character in *Fighting Vipers* (1995) as a prize for defeating a certain opponent. Gaining access to more powerful -- and branded -- cars is a common incentive in many racing games. As game technology advances, the plugs become more complex. Players of *Fight Night Round 3* (2006) can unlock the Burger King's royal mascot to serve as a personal trainer, which, in the words of a GameSpot reviewer, "pretty much destroys any pretense of authenticity this game ever had."[159]

Game characters

Brand mascots usually star in their own advergames, but like the Burger King's King, they occasionally enter other worlds as well. In another example, a team of identical Mr. Cleans worked the unlockable pit crew in *NASCAR 2005: Chase for the Cup*, promoting the company's new line of Procter & Gamble's Mr. Clean Auto Dry.[160] Calvin Ayre, the CEO of online casino Bodog, will appear as himself in *Scarface: The World Is Yours,* a

game based on the famous movie starring Al Pacino, and some of the game's action will take place in Bodog casinos.[161]

Generic game characters are sometimes programmed to drop brand names as they talk to the player or each other, although these instances are harder to document. As one player claims on an online forum, Brass from *CSI: Three Dimensions of Murder* utters "I wish I had a ride like that" referring to an in-game GMC Yukon.[162]

Another approach that was once popular but subsequently forgotten is to employ famous game characters to endorse a product in other media. In the 1980s, the wildly popular Pac-Man starred in a TV commercial for 7-Up. The mustachioed plumber of the Mario Brothers blockbuster who became a worldwide celebrity largely responsible for the success of the Nintendo's NES in the late 1980s and at one point was more recognizable than Mickey Mouse had his face smiling from the boxes of Ralston's cereal and his likeness shaped into noodles by Kraft. Just like the real-world celebrities, game characters have certain image attributes that make their endorsements appropriate for some products but not others. One can imagine the Prince from *Katamari Damasi*, a well-known character who rolls a sticky ball to collect raw material for a galaxy makeover, lauding the benefits of a new lint remover, or the *Grand Theft Auto: Vice City* protagonist Tommy Vercetti offering a testimonial for auto insurance.

Vehicles

Real-brand cars were among the first real-world items to appear in games, initially under the licensing agreements in racing titles (for example, Ferrari, Renault, Lotus in the *Formula One*, 1983) and later as paid placements everywhere. As the medium evolved, the plugs became more engaging and interactive; players today can customize and fine-tune the smallest detail of their vehicles that range from scooters and motorcycles to semi-trucks. The Russian-made *Lada Racing Club* (2006) features real-life autopart and accessory suppliers' products included in that part of the game where players tweak their own vehicles. The game provides the real-life pricing and suppliers' contact information along with performance statistics. This information is also included in the user manual. A game about making movies (*The Movies*, 2005) relies exclusively on Chrysler-branded transportation props and the company's cars appear in nearly every movie made by players inside the game.

Apparel

Branding character clothing is a fairly new approach that became fully possible only after the graphic resolution of gaming systems had improved enough to make the logos discernible. Nike's swoosh, for example, began to appear on Tiger Woods shirts in EA's *Tiger Woods PGA Tour* series around 2001 and the sports games in general have become a showcase of branded athletic apparel. Puma has sponsored *True Crime: Streets of LA* and its gear prominently appears throughout the game. Nike inked a deal with Take-Two Interactive to put its brand into the NBA 2K Sports basketball series. *Business Week* reports that "some 200 athletes in the games wear the Nikes they wear on the court. But the new version integrates the company's Web-based Nike iD shoe customization software, which enables players to design and personalize shoes worn by the digitized pros." [163] Adidas struck a deal with the game publisher Eidos to place its new Hyperride shoes in the

upcoming PSP title *Freerunning*; characters wearing Hyperride would see their performance enhanced.[164]

Haute couture threads have also weaved their way into digital worlds. In 1999, Diesel became reportedly the first to bring a clothing line designed by a fashion company into a game. Its "futuristic military" fatigues for *G-Police - Weapons of Justice* were also sold in company's real-world stores.[165] This October, the upcoming racing game *Test Drive Unlimited* will feature customizable attire designed by Ben Sherman, a brand popular in the UK and among American hipsters.[166] IGA, an agency with both dynamic and static placement capabilities, designed a store where players can buy Sherman-branded clothes for in-game currency and supplemented it with billboards throughout the landscape. As already mentioned, American Apparel, a fashion brand known for its controversial real-world advertising, has just opened a store in *Second Life* with the virtual merchandise matching the actual items the company offers in its brick-and-mortar retail outlets and on its website. The graffiti artist and fashion designer Marc Ecko has his clothing line plugged in *50 Cent: Bulletproof* for PSP[167] (the game differs from the console version) as well as his own urban game *Marc Ecko's Getting Up: Contents under Pressure.*

Tools and accessories, in-game media

Embedded branded items are often designed to help the player to achieve a certain objective and come as part of the inventory or as objects the player needs to retrieve, activate or otherwise engage in order to advance in the game. In one of the widely cited examples of such integrated brand placement, Sony Ericsson put two of its phones in the hands of Sam Fisher, an operative in the popular spy title *Splinter Cell: Pandora Tomorrow* (2004). "Instead of being merely an advertisement within the game, the products are integrated throughout the entire experience and the player cannot move forward without using both the P900 and the T637 camera phone to complete his missions. Sam Fisher must use an image captured by the T637 to help the NSA identify the leader of a terrorist group, which has taken over a cryogenics lab in Paris in a race against time."[168]

Many other games have augmented the player communication with the game world with such in-game media as voicemails, phones, emails, TVs, and newspapers, but their full potential is yet to be discovered.

Sometimes, brands become part of the puzzle the player has to solve. In *CSI: 3 Dimensions of Murder* (2006), you will take fingerprints off a Nokia phone, check a victim's Visa credit card for suspicious charges, and store your information on a SanDisk Cruzer Crossfire flash drive. SanDisk also released real flash drives with additional game content that enhanced the original gameplay.[169]

Food and beverages

Because food and drinks are already present in some form in most avatar-based games making the branding process that much easier, and because the gaming audience has been the primary target demographic for the respective manufacturers, product plugs in this category are particularly abundant. Some branded items -- such as the Coke cans rolling

out of the vending machines in *Halo* -- act as mere props without any functional gameplay value, but many are involved in elaborate scenarios. In the 1987 *Maniac Mansion* adventure, players had to find a fridge containing a can of Pepsi, carry it through the game to water the Man-Eating Plant that would then start to grow, letting the character climb to a hatch in the ceiling. In *Judge Dredd: Dredd vs Death* (2004), the player is charged with arresting gangsters who smuggle crates of Red Bull into Megacity, and in *Worms 3D* (2004), the likable worms rely on Red Bull cans for their energy supply.[170] Rapper 50 Cent gulps Glaceau vitamin water in *50 Cent: Bulletproof.*[171]

Buildings, rooms and immersive environments

Branded buildings are still a fairly uncommon sight in games with the exception of the real-world landmarks -- sports venues such as LA's Staples Center in *Night Fight Round 3* and *True Crime: Streets of LA*. In *Crazy Taxi* (released in 1999-2002 for different platforms) that puts the player behind the wheel of a cab in a fictional city reminiscent of San Francisco, passengers may demand to be taken to Pizza Hut, Tower Records, the FILA or Levi's stores or Kentucky Fried Chicken. Faux stores that are never open but that have a company sign on the doors aside (see the next section on signage), only a few brands have advertised in games by opening a functional retail location. Ben Sherman's store in *Test Drive Unlimited* is one example. An upcoming Russian truck-driving simulator *Dalnoboishiki 3* (*Truckers 3*) features a fully branded Shell gas station. In another Russian title, a vampire adventure game *Night Watch* based on the namesake blockbuster movie that itself was a product placement extravaganza, numerous Alfa Bank's buildings contain ATMs that dispense magic items.

In *True Crime: New York City* campaign that both engaged players with the brand and required them to learn the whereabouts of retail locations, the character had to locate Puma sneakers and return them to stores built to promote the real-life Puma Store Soho, Classic Kicks, Flight Club and Clientele. The campaign was also an interesting experiment in *cross-reality* advertising: Puma was selling the same limited-edition sneakers in the same stores in real New York and the sneaker line was called True Crime RS-100 and was branded with the True Crime logo on the insole. [172]

Sometimes in their attempts to integrate a branded location into the gameplay, overzealous advertisers encounter player backlash. Racing simulator *Need for Speed: Underground 2* received Gamespot's award for the most despicable product placement for its integration of Burger King and Best Buy. The publication explained its decision: "When you're trying to create a realistic city, inserting actual businesses can make an area feel a little truer to life. Need for Speed Underground 2 not only includes actual businesses, but it also makes sure you know where they are by putting things near them and then sending you messages that say things like, "The hidden parts shop is marked by a red light near the Burger King(TM)."[173]

Static signage
A less engaging alternative to commissioning an entire building or weaving a product into the game's action is hard-coding brand logos in appropriate locations. Sometimes a brand appears in its natural context; for instance, one of the buildings in *Need for Speed: Underground 2* looks like a drive-through restaurant and appropriately carries a Burger King sign with a billboard nearby. At other times, such signage looks more conspicuous: Sam Fisher in *Splinter Cell: Chaos Theory* rappels down the rope tied to a wall with a giant neon sign for Axe deodorant. In what is one of the oldest traditions of in-game advertising, almost every modern sport simulator has billboards for real products placed on or around its arena, boxing ring, golf course, ice rink or racing track as they appear in real life. Cars, trucks and motorcycles are adorned with sponsors' logos.

Integrated campaigns
With the wealth of in-game advertising formats already available and with many more on the horizon, the question becomes how to use them in creating a holistic branded experience weaved into the game's fabric as opposed to limiting the brand's in-game presence to isolated exposures. The answer may come from an unexpected direction: the *Grand Theft Auto: San Andreas* (GTA) game that in the past has caused so much controversy due to its incidentally unlocked sexual content.

GTA: San Andreas is the third and most recent 3-D installment in the five-game action adventure franchise published by Rockstar Games (the first two GTA games were two-dimensional). The game is single-player and is set in a fictional state of San Andreas loosely based on parts of California and Nevada of the 1990s. The game's main character, Carl "CJ" Johnson progresses through the game by fighting rival gangs and running criminal errands. *San Andreas* spreads over some 17 square miles, an area four times larger than the preceding *GTA: Vice City* that consists of three major cities and 12 towns and villages. Unlike other games where the player moves along a rigid play path, *GTA* leaves CJ free to roam over the entire territory on nearly 200 functional vehicles.[174]

The game's designers have managed to recreate a highly realistic urban environment complete with all staples of a city landscape, from turnpikes and skyscrapers to pay phones and newspaper boxes. The cities of San Andreas are studded with outdoor advertising of different shapes and sizes that, however, does not promote real-world brands. What the in-game billboards advertise are fictional brands, and "marketing plans" of many of them apparently extend far beyond outdoor units. The list of the game's top brands includes Sprunk (soft drink), Ammu-Nation (gun stores), Cluckin' Bell and Burger Shot (fast food), Binco, Zip and Pro (apparel), and 24-7 (supermarkets). All of them are integrated into the gameplay: Ammu-Nation sells guns for CJ to wield against his enemies, fast food outlets influence his health statistics, and CJ's level of respect among fellow gangsters depends in part on his fashion taste. Some brands also play a bigger role in the story development; one of the game missions, for example, requires CJ to work as a Burger Shot courier.

It is remarkable how advertising for many brands is so elaborate that it seems to have been developed by a professional ad agency team. Sprunk, a soft drink that like many other GTA brands looks like a parody of a real-world product (Coca-Cola's Sprite, in this case) is not a functional object. Yet the image of its yellow and green can is ubiquitous. Sprunk is the exclusive drink at both Burger Shot and Cluckin' Bell that are equipped with branded soda

fountains whose faucets pour nothing else. When CJ orders a meal, it comes with a cup of Sprunk. Sprunk vending machines can be found on the streets and inside grocery stores. The 24-7 supermarket displays Sprunk on its shelves among other fictional products. A large outdoor can-shaped sign proudly announces the Sprunk factory, the company's decorated delivery vans parked outside and roaming the streets. Sprunk's fictional brand managers have apparently paid to create a radio spot and bought airtime on the local stations that are playing on the game's car stereos.

Cluckin' Bell's image is crafted with the similar attention to detail. The restaurants are built in the recognizable blocky style of fast-food restaurants and their roofs are adorned with giant chicken heads. Clerks are outfitted with yellow company t-shirts and wear chicken masks on their heads. Signs on the wall advertise "The Little Clucker Kids Meal", trays are lined with branded napkins, meals come wrapped in Cluckin' Bell packaging, and trash bins are decorated with beaks and red combs. Rockstar has even created a real website at cluckinbellhappychicken.com with a "Cock A Doodle Do's and Don'ts" mission statement, a description of company's meals, and a legal disclaimer that warns, "Just because our food is cheap and full of addictive chemicals, doesn't mean you should eat it all of the time. If you do, it's your look out. Guaranteed!" The site prominently displays a banner promoting Sprunk that urges to "Just Say: I like it Cluckin' Huge with a blast of Spunk". The company's radio spot is a catchy song of the genre that was popular in the eighties and nineties. The song is merciless in its jabs it at the real-world fast food industry but is also immensely catchy:

> Cockle doodle doo, it's time for chicken
> Cockle doodle doo, it's time for a feast
> Eat a ninety-piece bucket, you can tell
> He's been to Clucking Bell
>
> The chicken is a bird with a tiny brain
> So we assume he doesn't feel any pain
> We shrink their heads and we breed them fast
> Six wings, forty breasts, then they're gassed
>
> Cockle doodle doo, we're psychotic crazies
> Cockle doodle doo, factory farming's insane
> We denied it all before our stock price fell
> Come down to Clucking Bell
>
> Man: Cluckin' Bell! If you enjoyed it, the chicken didn't die in vain![175]

Besides being examples of thorough "360-degree" brand integration, "campaigns" for Sprunk, Cluckin' Bell and other *GTA* products raise an interesting question: what if real brands venturing into game spaces unbuttoned their collars and presented themselves with a degree of good-natured self-mockery? Games can be the Casual Friday for brands that are expected to maintain an uptight appearance. Much of the social criticism mounted by *GTA* through its story, artifacts, locations and dialog has been long accepted as valid and where companies struggle to address it in the real world, games could provide just the valve to

release the built up steam through the metaphors and allegories of the game space.

The fact that *GTA's* Sprunk is widely familiar, if not outright popular, among the player community and is just as widely associated with Coca-Cola's Sprite without any official indications of link between the two shows a roundabout way for the companies to enter virtual worlds whose residents eye real world brands' intrusions with suspicion. A study of players' attitudes towards advertising and product placement in games concluded that "whereas past researchers have noted the benefits of placement for enhancing realism (e.g., Nelson 2002), our analysis of the Slashdot postings suggests that while real brands maintained immersion inside the game world, fake brands might offer a chance for imagination (on the part of developers and players) and could add to the humor or entertainment value of the game."[176] What this means is that advertisers can build compelling in-game presence by creating fake or proxy brands equipped with strong but non-binding associative links to the real-world originals. A proxy is the brand's costume at the masking ball where showing up in daily business attire is considered bad taste. Proxy brands can be supported by fictional campaigns whose success can be gauged at the fictional counter ringing in play money. A proxy can be the brand's ventriloquist doll, a mouthpiece for thoughts the puppet master is not allowed to express directly. Finally, a proxy may be the brand's only way to stay in-character with the world it enters. It's a game, after all, and you must play along or risk being a spoilsport.

Cheat codes and Easter eggs

One of the most interesting advertising formats unique to games is inclusion of brand-related commands or cheat codes that, when typed in, unlock additional content or alter the gameplay. Advertising through cheat codes is less overt than through other means because it relies on the player to find the branded content. Cheat codes are usually leaked secretly by the game developers or discovered by hackers scouring through the game code, are often shrouded in mystery and anticipation, and are passed from one player to another or published on knowledge-sharing websites. Besides, research shows that "puzzle solving creates a false sense of familiarity with the brand and actually creates a preference for the brand."[177]

Electronic Arts built a number of cheat codes into its *NASCAR 2005: Chase for the Cup.* Typing "oldspice venue", "race dodge", "walmart nascar", "dodge stadium" unlocked, respectively, Old Spice race tracks, Dodge cars, a million dollars of play money and vanity plates. Typing "needmybestbuy" in *Need For Speed: Underground 2* will put a Best Buy decal (aka vinyl) on your car. Other codes are less obvious: to get a pair of Nikes in *NBA Live 2005*, the player needs to remember a combination of "XVLJD9895V".

Sometimes, cheat codes can be the advertiser's only way into a game where other advertising formats might not be seen as appropriate or *in character*. Pizza Hut tapped into the half-million-strong player base of Sony's massively multiplayer fantasy game *Everquest II* by connecting an in-game "/pizza" command to its order-taking web page. (The campaign that was created as a limited-time test was soon abandoned and "/pizza" was rewired to open a preorder page for the game's collectors edition).

Incidentally, Blizzard -- the maker of the competing *World of Warcraft* MMOG -- showed a better way to integrate real-life product ordering into fantasy worlds through typed commands in its "/panda" April Fools prank. On April 1, 2005, less then two weeks after the original Sony's launch of the "/pizza" test, Blizzard announced its Pandaren Xpress food service. By typing "/panda" in the game, *World of Warcraft* players would be able to call up an in-game Chinese food menu designed in style with other interface elements. The service guaranteed fast home delivery by a person dressed into Pandaren costume (Pandaren is one of the races in the game) and players would then receive an in-game fortune cookie with its predictions tied to the game's context; the fortune cookie would also give a temporary boost to the player's character abilities.[178]

Modding

Modding refers to modifications (hence the name) of a game performed by the players seeking to alter the gameplay, add new objects environments, or even create an entirely new game on the original code and assets. The so-called mod-friendly games have modifiable portions of the game coded in non-proprietary file formats (text and bitmap, for example) or even come complete with game editing tools. Numerous modding communities trade their creations online, and some mods can extend the shelf life or even outlive the original game (such as the already mentioned *Counter-Strike* mod of *Half-Life*). Since many of the modding implementations draw inspiration from popular culture, it was inevitable for some big brands to end up in games sometimes as a target of parody, sometimes as an object of admiration or desire, and often as a neutral backdrop for the action. McDonald's, Wal-Mart and Best Buy have all been modeled into entire game levels for the popular shooters *Doom* and *Counter-Strike*, supposedly without the respective company's authorization.

At least two mods are known to have been commissioned by marketers. In 2003, Sony Pictures created *Underworld: Bloodline* (2003) based on *Half-Life* to promote its action-horror movie *Underworld*. The pioneer of the genre, however, is Ralston Purina, the same company that had brought us *Chase the Chuck Wagon* in the 1980s. The company modified the popular *Doom* game to create its own *Chex Quest* (1996) to promote Chex cereal. The anthropomorphic piece of cereal named Chex Warrior replaced the original space marine to liberate a distant Bazoik planet from the Flemoid invasion. The power-ups were naturally Chex-branded – a Supercharged Chex Breakfast replenished the warrior's health and the Super Chex Armor provided protection against Flemoid's firepower. The game was distributed for free as a prize hidden in the cereal boxes and has since spawned an official sequel and a large number of fan-made variations. [179,180]

While designing mods is cheaper than developing an advergame of comparable complexity from scratch, their audiences are usually limited to the owners of the original game on which the particular mod is based. Alternatively, marketers can release creative assets -- sounds, textures and 3-D models -- the same way they now publish brand-reinforcing screensavers and ringtones online and invite fans to create their own branded environments.

Skinning

Skinning is similar to modding but usually refers to modifying game objects' textures and shapes instead of altering the entire environments. Skinning is practiced more widely since

it requires fewer programming and game design skills; many games contain templates that can be tweaked with common image editing applications. As a consequence, for every brand-related game mod there are hundreds of branded objects that users embed into their games and share or even sell to others. Gamers have modified the generic vehicles of *Grand Theft Auto* to resemble real Cadillacs, Porsches, BMWs, Fords, Mini Coopers and even Coke delivery trucks. One popular mod pack for *GTA* contains 108 objects that include KFC, Domino's, Krispy Kreme, Subway, Wendy's, White Castle, Staples, Target and Wal-Mart buildings, a collection of gas stations, assorted billboards for real brands and a Ronald McDonald outfit.[181] Other players have recreated the entire Ikea furniture sets for their dollhouses in *The Sims,* and a two-storey Sears complex including K.B Toys, ShopRite, Old Navy, RadioShack, Starbucks and a parking lot.[182]

It is likely that some of the employees at these companies are game fans themselves and contribute their time, effort and knowledge to the respective modding and skinning communities, but the phenomenon is rarely acknowledged at the higher decision-making level of marketing. The airline industry is a rare exception; many companies lend their names and actively cooperate with player communities formed around Microsoft's *Flight Simulator* games and organized into virtual airlines (Delta Virtual Airlines[183] or United Virtual[184], for example) with their own fleet, rigid structure, job responsibilities and chains of command.

Machinima (the practice of making short animations and comics using game software), modding and skinning all fall into category of the consumer-generated content that has become the Madison Avenue's newest trendy buzzword. While companies are rushing to tap into the creative consumer's genius, their choice of expressive channels is limited. Amateur video production (thanks to the YouTube phenomenon), audio-visual mash-ups, blog writing and to some extent photography and podcasts are already on many agencies' agenda, but the only recent game-related grassroots efforts that come readily to mind is Axe's Machinima Fan Film Fest in association with Xfire[185] and Chrysler's machinima contest tied into *The Movies* game. Chrysler partnered with the developers of *The Movies* to make sure all vehicles in the game would bear its brand, and submissions for the Chrysler's "*The Movies* Virtual Film Competition" organized early in 2006 predictably featured the company's cars. In some entries, such as the winning *Bullets Are Forever,* the car makes a short but visible cameo. Other entries, such as the last one in the list of 194 submitted videos, *Reinventing the Wheels,* look like Chrysler ads altogether.

Often cheaper and faster to produce than animations done from scratch, machinima has the potential to become a lucrative advertising form. In 2004, to promote its newly redesigned car, Volvo asked the developers of *RalliSport Challenge 2* for permission to use game footage in the commercial and made the entire ad computer-animated.[186] On the consumer-generated-media front, a member of YouTube used *Battlefield 2* game to create a spoof of the award-winning commercial for Sony Bravia TVs with crowds of game soldiers bunny-hopping down a street. In another example, a *Second Life* player created machinima ads for his line of in-game Nylon cameras.

The lessons of *Second Life*

The discussion about consumer brand-related creativity brings us conveniently to the topic that recently has been making a lot of headlines. *Second Life*, whose membership has tripled in the past six months (January-July of 2006) to surpass 300,000 players, has recently landed on the cover of *Business Week* that wrote, "It's hard to imagine a less corporate setting than the often bizarre online virtual worlds such as Second Life. But to a surprising extent, mainstream businesses are already dipping their toes into the virtual water." [187] *Second Life*, whose player base was only 30,000 a year ago, is undergoing a remarkable transformation from a little-known hobby for geeks to what can now be defined as almost-the-edge-of-the-outer-fringes-of-mainstream.

Second Life is still no MySpace.com in its mass appeal, but among its residents are high-level executives, writers, journalists and the rest of the public-opinion-shaping digerati. As far as the virtual social networking applications go, it has been able to avoid many of the problems plaguing the popular online teen hangout. *Second Life* has corralled everyone under the age of 18 into a walled garden impermeable to adults, solving the issue of child safety before it had a chance to arise. Its business model relies on subscriptions instead of advertising for revenue -- *Second Life* sells what it calls land but what in effect is server space with game templates. This has allowed the *Second Life* makers at Linden Lab to adopt a laissez-faire approach to all marketing activity that goes on inside their game. Every player can advertise anything without having to pay the company, and becoming a resident is as easy as downloading *Second Life* software and installing it on a sufficiently powerful computer.

For the uninitiated, here is some background. As mentioned earlier, *Second Life* (SL for brevity) lacks any overarching objectives (kill the monster and save the princess) and scoring, and is technically not a game at all. Linden Lab insists on defining it as a 3-D virtual world, but a rather fitting description was offered by Wagner James Au who spent three years as SL's embedded journalist: "[I]t's just a weird cross between a 3D development platform and a chat program, AutoCAD meets the Sims."[188] The world sprawls across hundreds of servers, called sims, that are all connected into one grid. Unlike many other massively multiplayer games, SL is not divided into parallel realities or shards, which means that all players can see each other regardless of the server on which they are located. All of the game assets, its avatars, buildings, land and everything else, are hosted on Linden Lab's servers so the only way to experience the world is through an Internet connection. The only thing that resides on the player's computer is the so-called client that visualizes the world-related information and is best thought of as a specialized 3-D web browser. The client also comes with editing and scripting tools that allow players to create, edit, color, texture and animate three-dimensional objects, and add lighting effects. This particular capability combined with the in-world economic infrastructure that facilitates trading and stimulates it by making the game's Linden dollars convertible into the real currency is what drives the players' creative and entrepreneurial genius. The introductory kit for new avatars contains some pants and shirts, a few household items and, significantly, a basic shopkeeper kit complete with a small booth, a showcase and a blank signboard.

On any single day, the value of transactions between players tops $100,000 in real-world money. Everything imaginable is for sale: cars, trucks, houses, castles and skyscrapers,

clothes, avatar bodies and body parts, hair, shoes, flowers, guns that shoot watermelons, flying cows, mountains, theme parks, tornadoes, holodecks and things unmentionable in a thesis. If something isn't available, someone will design it for you. The stores are abundant and commercial activity continues outside the world's boundaries on the websites set up by entrepreneurial residents.

The supply of goods is so high and the competition is so strong that the world's economy warrants its own advertising infrastructure. SL businesspeople whose real-life careers often lie in unrelated fields and whose knowledge of advertising practices might have been limited are quickly learning the skills of copyrighters, art directors, merchandisers and media planners all at once. For them, an in-world magazine packed with business advice was launched in August of 2006.

Many SL companies have already built what can be objectively regarded as brands in the sense that their business or product names are highly recognizable, associated with a particular image and can command a price premium on perceived product value; Betsy Book in her paper profiled two such SL brands and the strategies behind them.[189] Strong brands can be found in many different categories: from clothing to homes, from avatar design to digital interactive genitalia.

While players can advertise their wares on the SL's official classifieds listings, many turn to the world's independent advertising industry. They can contract services of design firms or purchase hi-tech signboards that float, rotate and flash in mid-air. They can hire one of the many modeling agencies to have their in-store signage professionally decorated. (While there are still no highly recognizable super-model names in Second Life, players with a rich collection of scripted modeling poses and an outstanding avatar design command hourly fees that can easily cover a month of rent of an in-game castle.) Shopkeepers and club owners can equip their businesses with any number of automatic vendors, sales robots, greeting systems, pagers, and camping chairs that pay residents to spend time in their establishments. Many give away free merchandise along with a business card and a bookmark to their location, or hire hosts and event managers to run their promotions.

The SL advertising market is booming. A player whose in-game name is Ruthe Underthorn has created MetaAdverse, a network of billboards placed throughout the world in high-traffic areas such as malls and clubs, and its technology can rival Massive's or IGA's in technical sophistication. Property owners place MetaAdverse's signs on their land for a 70-percent cut of the revenue. Advertisers feed their messages to the billboards belonging to MetaAdverse and the amount they pay depends on how many people have faced the sign directly, for how long and from what distance. In my exploration of the world, I have discovered at least three other similar networks competing with MetaAdverse.

As the SL's technology evolves, new media forms come to life and with them -- new advertising opportunities. Live streaming radio shows developed specifically for the game sell advertising time, and so do in-game newspapers. Potential for video advertising exists as well; many SL homes are equipped with TV sets that stream video clips and some entrepreneurs sell ad time on those as well. TV shows with their own machinima production have also started to appear as the game's creative population grows.

Like many other games that can be modified by players, *Second Life* is peppered with user-created objects carrying real-world logos. My own inventory includes a larger-than-life bottle of Absolut vodka, a Corona t-shirt, an entire Hooters outfit, a pack of Marlboros, a Mac laptop, a Honda motorcycle, a case of Mountain Dew, a pair of Elmo slippers. Vending machines giving away or selling Coke, Pepsi and common snacks are a common sight in SL clubs; one can be bought for about 30 American cents. Replicas of NASCAR racing cars are emblazoned with logos of their real-world sponsors. All this brand equity is built on pure enthusiasm without a dollar spent on product placement by the trademark holders.

I have once stumbled across a resident-run store that sells iPods, Shuffles and Nanos preloaded with popular songs (I bought instead an outfit that transformed my avatar into a walking iPod silhouette ad.) On another occasion, I rented a real-world movie from a Blockbuster-looking store. The success of these businesses – the movie store was part of a large and supposedly profitable chain -- or their very existence indicates that *Second Life* can become a model for content distribution that is based on a curious paradox with a new twist to Nicholas Negroponte's model of bits and atoms. When viewed from the outside, all of *Second Life's* assets can be considered "content", and the "bona fide content" -- music and video -- even more so. Yet when viewed from within the game, this "content" acquires certain tangibility and the assets become objects with their own volume, mass, clearly defined boundaries and often a price tag. Within this new coordinate system, content distribution as perceived from within SL seizes to be the process of streaming bits and once again becomes the task of shipping atoms that can be counted, tracked, and locked up when needed. *Second Life* provides a theoretically unbreakable way for item creators to limit distribution and modification of their wares by marking them with any of the three "no copy", "no modify", and "no transfer" flags, and in this sense the objectified music and videos are no different from shirts and coffee mugs. SL thus becomes an overarching meta-DRM system: the only way to copy a movie marked with "no copy" and "no transfer" flags is to screen-grab the entire game from the outside.

The real meets the Second Life's virtual in many other ways. The tribute to Pink Floyd takes shape of a small hut covered all over with the band's art, with a continuously running soundtrack inside. A similar monument to Grateful Dead is a dizzying complex complete with a hot tub inside a spinning psychedelic globe. There are replicas of individual famous buildings -- such as the Twin Towers -- and the whole blocks of Manhattan, San Francisco and Amsterdam. Residents are also recreating famous fictional spaces -- the *Second Life* blog wrote about *Counter-Strike* and *Mario Brothers* levels built in SL's construction areas, and there are many more.[190] One island sells avatar bodies modeled and equipped after real-world movie characters including the entire cast of Harry Potter. For a modest amount of money, you can have your avatar's body custom-made to resemble any celebrity, from Lenin to Johnny Depp. A dedicated group of players regularly puts out public tribute U2 concerts where avatars closely resembling Bono, the Edge and the rest of the band are animated on stage in sync with the streaming soundtrack.

The world's creative flexibility coupled with the pioneering spirit of its residents makes *Second Life* an attractive sandbox for advertisers willing to experiment with new ideas that might be difficult or costly to try elsewhere. Some are already taking notice. The Wells Fargo bank built a private Stagecoach Island area designed to educate kids on the basics of

money management (the company later moved the island to a similar environment, *Active Worlds*, citing technical issues). BBC runs an SL studio where it records shows for broadcasts in the outside world. The movie giant 20th Century Fox organized an in-game promotion of its X-Men sequel. Warner Brothers threw a release party for its artist Regina Spektor. Major League Baseball put together a simulcast of the Home Run Derby on a specially designed stadium with the real-time reenactment of the game. One day, we might see TV commercials played out in a similar theater-like manner instead of being shown on a flat screen, or bump into artificially intelligent Burger King mascots handing out whoppers at virtual sports events. In its cover story on *Second Life*, *Business Week* described many other ways in which real-world companies engage with the world. Head of technology at an underground tank testing firm uses the game as a training environment for new hires. A PR company set up SL headquarters to "provide companies a fascinating way to build new bridges to their key audiences, whether for marketing purposes, customer support or customer feedback."[191] Residential architect Jon Brouchoud created, textured and showed a 3-D model of a real house commissioned by his clients, all in *Second Life*.[192]

This, of course, is only the beginning. As the platform's technological sophistication and its links to the outside world grow -- Linden Lab is working on integrating a standard web browser into the game and sending emails into and from the world is already possible -- so does its attractiveness to outside businesses. One can imagine a travel agency building models of its destinations, from hotels and cruise ships to exotic islands. Ikea could work with the fan base to showcase its catalog in three dimensions and let players try its virtual furniture in their virtual homes. Universities, some of which are already building in-world presence, could conduct open houses to court prospective students.

If a single 3-D game-like platform emerges and gets widely adopted and if *Second Life* and similar worlds are indeed precursors of the three-dimensional web to come then advertisers would be better off by exploring the opportunities and challenges these environments present while the scale is still small and mistakes are affordable.

The challenges will be many. One issue that is likely to loom big is privacy. The extreme level of detail with which games and avatars can be tracked and measured is both a goldmine and a ticking time bomb in the hands of marketers. On the one hand, virtual billboards or anthropomorphic AI agents will soon be able to tap into the enormous databases that have records on each transaction, utterance and head nod of every avatar and serve individualized messages based on the customer's entire virtual life history in all its complexity. When AOL inadvertently released a database containing the results of millions of search queries submitted by more than half a million users, *The New York Times* called it a "catalog of intentions".[193] If Paul Hemp is correct in his suggestion that the way avatars dress up, behave and socialize tells us something about their owners, then worlds such as *Second Life* are catalogs not only of intentions but also of fantasies, fetishes, beliefs, aspirations and repressed desires that have found their symbolic manifestations. This is what marketers today are trying to suss out with the help of focus groups.

On the other hand, *Second Life* is much more Orwellian in its omniscience than anything existing on the public Internet with its decentralized structure. On the Internet, AOL may know something about a user and Amazon may know something else but the two don't

share their information to create a holistic picture. *Second Life*, on the other hand, is a proprietary walled and self-containing garden whose infrastructure and intelligence gathering spans the entire user cycle from shopping to private instant messaging.

On the micro level, designing a commercial experience in a 3D environment is likely to be different from developing a "flat" web shop. Thinking in three dimensions of a social world endowed with physical properties will mean calculating the ceiling height, for example, to accommodate for customers who prefer flying to walking. While a popular web store may serve thousands of customers simultaneously, each of them shops from his own parallel on-screen universe with little interaction with the others. Clothing stores in *Second Life*, on the other hand, are more like real-world malls filled with customers sharing impressions and offering fashion advice in real time. Merchandising -- the science of displaying goods on store shelves -- will have to learn how to retain the visual appeal of the real-world racks while combining it with the effectiveness of online search and categorization. When sabotage (hacking, phishing, scamming and denial of service attacks) of online stores is a major concern, the solutions are also evident if not always feasible -- patch the hole and call in the cops. But what are shopkeepers to do if their stores are blocked by avatars protesting unfair trade practices?

Speaking of unfair trade practices, the foray of real-world businesses into *Second Life* has not been greeted with universal excitement, although the reasons for players' wariness are changing. If two years ago a private island where a marketing company had set up shop was picketed by SL residents because they felt the intrusion would ruin their carefully crafted escapist haven, today their concerns are more pragmatic and are not likely to go away as easily. Some fear that their budding SL family businesses will have to compete with cash-rich and marketing-savvy business empires for which *Second Life* is just another foreign market ripe for expansion. Others think that real businesses will upset the virtual world's entire fragile ecosystem. Today, in-game entrepreneurs make and sell their wares and services at prices that are significant in the game's context but the return on their time is way below the minimum wage when converted into dollars. Tomorrow, these entrepreneurs will be hired by the big businesses to produce the same -- but branded -- items and will be compensated for their efforts on the real-world pay scale, never to return to their original trades.

When Starwood Hotels and Resorts announced that it was bringing into the virtual world a model of its new Aloft hotel, a resident who runs a real-estate business of selling plots of land and renting out apartments in *Second Life*, Prokofy Neva, wrote in his comments to a blog post:

> It's not about me or others in the land business. [...] I'm trying to use my experience to speak to the much larger issue going on here: big business from RL, helped by a few who were able to leverage their experience into "RL-in-SL companies", are displacing the *need* for business inworld and displacing *the transactions* of business as well as the Lindens *change the features and the client and their orientation toward these kinds of businesses, and not inworld customer-created businesses.* [...]
>
> I wouldn't be able to see what is happening so clearly if I hadn't been able to see what happens to countries in the real world, like a Georgia or Ukraine, when the

> indigenous economies were able to sustain people without them leaving for guestworker status elsewhere or be drawn into sex trafficking, before the World Bank or Chevron or whatever came in and displaced their economies. This is a worldwide phenomenon, part of globalization.
>
> SL is now globalized."[194]

With Linden Lab actively welcoming the expansion of big businesses into its realm, perhaps it's time for Naomi Klein to revise her *No Logo* to include a chapter on free-trade zones and sweatshop labor of the virtual third world.

PARTING NOTES

It may feel like we are at the end of a long journey, but if this work aspires to achieve anything, it is to provide a few starting points for further investigation and discussion. Many questions remain unanswered. Considering gaming as an institutionalized media structure, one might ask whether advertising can become such an indispensable revenue source for the game industry as to change the existing publishing and distribution models, upsetting along the way the delicate ecosystems formed within virtual worlds. If the retail and subscription prices of ad-supported games drop would the influx of new price-conscious players render games unplayable either by straining their technical infrastructure or by making them less desirable to the status-seeking players? Would the numbers prove advertising in games a media strategy that is sustainable in the long term, or will it become the Madison Avenue's next big thing until the next "next" one comes along?

We still don't know much about the effectiveness of in-game placements besides the few publicly released numbers and we are yet to figure out the very mechanics of even the simplest forms of in-game advertising. How to strike a balance in the number of banners in a given game in order to achieve a sufficient number of exposures and yet not to leave the players with the feeling that they are being spammed? How to account for different levels of emotional engagement at the different game stages? How do the emotional highs and lows of the players affect their brand recall? Should there be a premium on the ad space built into the more difficult game levels that are accessible only to the more committed players or should the ads be priced only according to the number of the "exposed eyeballs"? It is difficult to tell whether passive banner and billboard advertising is at all effective in the emotionally-charged environments such as games. An Iowa State University research showed that televised sex and violence reduce memory for commercials that appear in this context. To quote the study authors, "individuals are thinking about sex and violence, not about the commercials."[195] Another group of researchers working on a separate study observed that "people fail to detect visual images that appeared one-fifth of a second after emotional images, whereas they can detect those images with little problem after viewing neutral images."[196] Likewise, a billboard placed on the backdrop of a fighting arena could amount to little more than imperceptible background noise.

On the other hand, high-involvement advertising formats that provide more opportunities for interaction could backfire in unexpected ways. When McDonald's stands were announced to appear in *The Sims Online*, digital culture critic Tony Walsh famously called to protest the corporate intrusion by picketing kiosks, buying the food and then lying down and playing dead, or opening a kiosk and then verbally abusing customers.[197] (There have been no reports of actual protests.) Today, numerous social networks, machinima and video-sharing community could carry the news of corporate in-game troubles beyond the virtual confines and amplify its effect manifold. How to address the actual issues of ad-busting campaigns and anti-corporate outbursts in games is yet to be discovered by an unfortunate advertiser. On the other hand, any brand successes in virtual worlds will also resonate widely at least until game branding reaches its point of saturation. Whatever direct benefits American Apparel might have received from opening a store in Second Life, the glowing publicity it received in blogs and mainstream media was likely of much greater dollar value.

While several formats that are either in development or already being offered to advertisers

have been discussed here, many other interesting ideas are currently being tested away from the mainstream gaming or simply bounced around among industry commentators. Nightlife Interactive is developing a multiplayer game that would let players manage their own night clubs; its offer to future advertisers is "pay-per-transaction" format where players who right-click on a branded game object receive more information the actual product and where advertisers are charged for every such interaction instead of mere exposures.

MIT's game analyst David Edery suggested advertisers could use alternative peripheral devices to communicate their brand message more effectively; a golf club manufacturer, for example, might take advantage of the Nintendo's upcoming motion-control sensor. Game designer Ian Bogost at his Water Cooler Games website discussed the advergaming potential of solar sensors that use sunlight to alter gameplay and are already put to use in a vampire title.[198] In a somewhat exaggerated example of game peripherals employed for advertising purposes, players can operate the controls of the Nissan's Urge concept car to play a driving simulator that is powered by Xbox 360 and can be viewed on a small LCD that flips down from the roof.[199]

There is little doubt that gaming will grow in prominence. Besides the projected natural growth of the playing demographic, more games will become accessible through a wider variety of channels. Games are already available on many airlines' onboard entertainment systems. Some Yahoo! games are playable through TiVo. Many devices initially not intended for gaming will support games either through official upgrades or through third-party add-ons. Potentially, any device with a screen, an input mechanism, editable memory and a CPU could be turned into a game console; website It Plays Doom documented an implementation of the famous shooter on a Kodak digital camera.[200] Satellite radio receivers, too, could become gaming devices hooked up to a wide distribution network.

Television and gaming are likely to continue following the path of convergence. TVs will become interconnected through set-top boxes and new-generation consoles, and TV studios will start streaming their content into games to reach the audience that has escaped from them into virtual realms.

If in-game advertising grows in significance -- and the indications are that it will -- Madison Avenue will have to face difficult questions it so far has been able to avoid in this particular context. Some question the ethics of in-game product placements, arguing that placing a virtual energy drink that makes characters run twice as fast might not be a truthful portrayal of the product, although the perspective of having fine-print disclaimers attached to every branded item is far too daunting. The question of copyright on player-made branded content is often asked with regard to online spaces; in computer games, it is complicated by the fact that the developer or publisher behind a particular title usually claim ownership all of the world's assets as well. Technology writer Julian Dibbell made an argument that virtual money is potentially just as taxable as real dollars.[201] *Business Week* noted that "as companies provide real services inside virtual worlds, such as employment and investment opportunities, they could draw attention -- and regulation -- from real-world authorities like the courts and legislatures."[202]

Games, like any other medium before them, will eventually reach the point of advertising saturation. Scripted bulk advertising is likely to emerge and exacerbate the clutter problem. This means that early movers will enjoy vast amounts of uncluttered high-impact space at low prices, but without any past experience to rely on, they will have to operate in an environment of uncertainty. The game industry has borrowed a military term "the fog of war" to describe game maps that are dark or blank until explored by the player. I hope this paper has scouted a few markers that would help advertisers to find the path the caches of virtual gold.

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