The State of In-Game Advertising

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Introduction

Video games have the potential of reaching a mass global audience and is a growing form of interactive entertainment. Marketers understand the value that comes with gaming as a medium to target these massive audiences. The video game Adventureland was the first to introduce an ad in its game, where it advertised the release of the follow up game pirate adventure. Since then, advertising continued to see a steady rise and even gave birth to advergames, which are just games that are built solely for marketing a brand.

Now we see placement of ads in most games from banner ads in FIFA to video ads in mobile games, it seems to have grown to become a huge source of revenue for the industry. But in-game advertising has not been called a boon, but rather a necessary evil. It has been proven to negatively impact a player experience, but it continues to rise. By analyzing the current state of in-game advertising, this presentation will try to uncover the truth behind this necessary evil and try to determine the proven methods for the safe introduction of ad placement (Mahoney, 2018).

Industry thoughts

Developers throughout the industry do acknowledge that in-game ads are an important monetization opportunity. But, despite the growing opportunity developers are still against making a commitment to ads. Research shows that ad frequency is inversely linked to player enjoyment and engagement. Developers continue to adopt a player first mindset, which goes prevents a game from gaining all the possible potential revenue from the ads. This has although led to the innovation of ways to integrate ads without lowering player engagement.

The industry provides lesser number of ads per session for mid-core to hard-core players. For the most part major players in the industry do acknowledge that increased ad placement can lead to lower player engagement and could also affect the in app purchase revenue, which accounts for more revenue than in-game advertising. There is a 11% uplift over previous years in the percentage share of revenue that ads generate. There is a preference towards using 2 to 5 ad networks to generate impressions. Overall, the industry does adopt a cautious approach but with an experimental mindset (Deltadna, 2019).

Perception of in-game ads — 2016, 2017, 2018

Current state

In-game advertising market is set to grow at a compound annual growth rate of +12% each year from 2018 to 2025. The revenue generated from in game advertisements usually accounts for around one third of the revenue earned by games in the free to play market, the rest comes from in app purchases(IAP). Currently ad placement is divided into dynamic ads and static ads. A static ad is natively built into the game and cannot be changed once the product is shipped, dynamic ads involve allocating space in various game screens to display ads after release (Kirkpatrick, 2017).

Advergames – This a niche type of advertising through games where companies hire developers to create a game from scratch revolving around their products in hopes of creating better brand recognition. This type of advertising involves linking a positive state of emotional valence with increased levels of arousal to the brand through psychological influence. Through methods of personalization and gamification, companies hope to create a personal connection between consumer and product.

Research is currently being conducted through user experience testing to determine the exact moments of elevated happiness that a player experiences while playing a game. This will determine when to place an advertisement to get a better click through rate and in turn better revenue. Considering the psychological influence that ads have on a player, some companies turn to unethical forms of displaying ads to influence a users mind as shown in **figure 1**. This creates a need for implementations of guidelines for companies to follow, as it can have a negative influence on a player's psychological state of mind (Lagace, 2018).
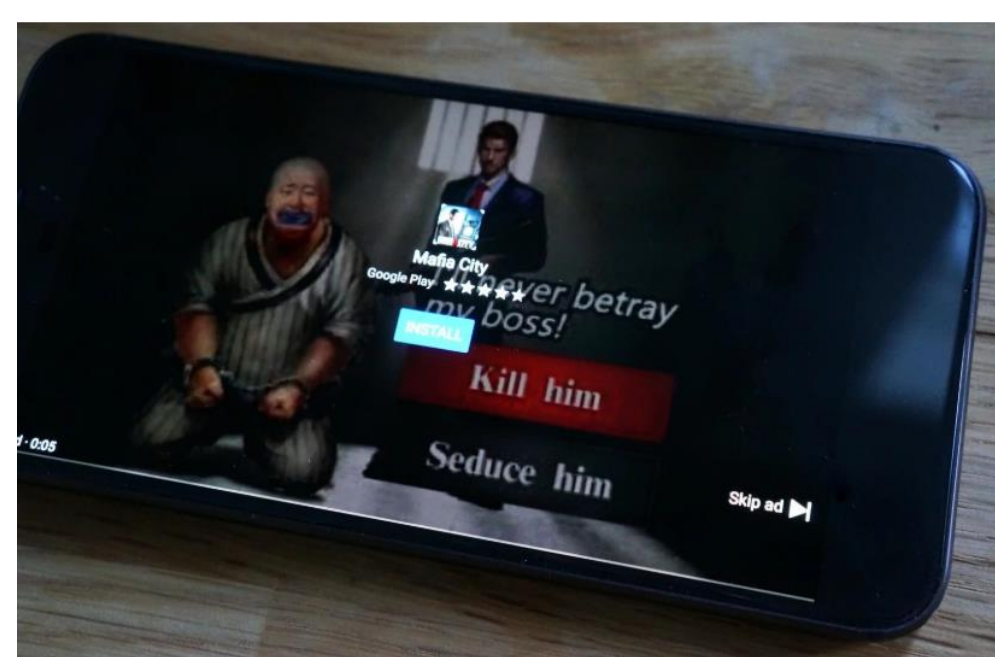
Understanding the Player

It is important to determine the KPI based on the right analysis of player base and asking the right questions. Predictions suggest that 80% of handheld gaming devices will be mobile phones, followed by the Nintendo switch. This answers the question of who to target. Understanding metrics of fun and engagement will determine how to target the player and a deeper understanding of the emotions a player experiences during gameplay will determine where to target the player.

Some important guidelines to remember while designing for in-game ads are:

1) Don't interrupt the player experience, it is important to ensure a smooth flow and transition to keep the player engaged
2) Follow natural pausing patterns
3) Don't kick a player out of the game when they click on an ad, whether by accident or on purpose
4) Take banner blindness and fat finger errors into account
5) Consider ad blocking (Zenn, 2019)

It is vital to remember not to trick a player into clicking or viewing an ad, these are known as dark patterns and are a leading cause for a lack in trust towards the product. Striking the right balance between the player experience and the monetization strategies (Rifkin, 2015).

Figure 3. Striking the balance
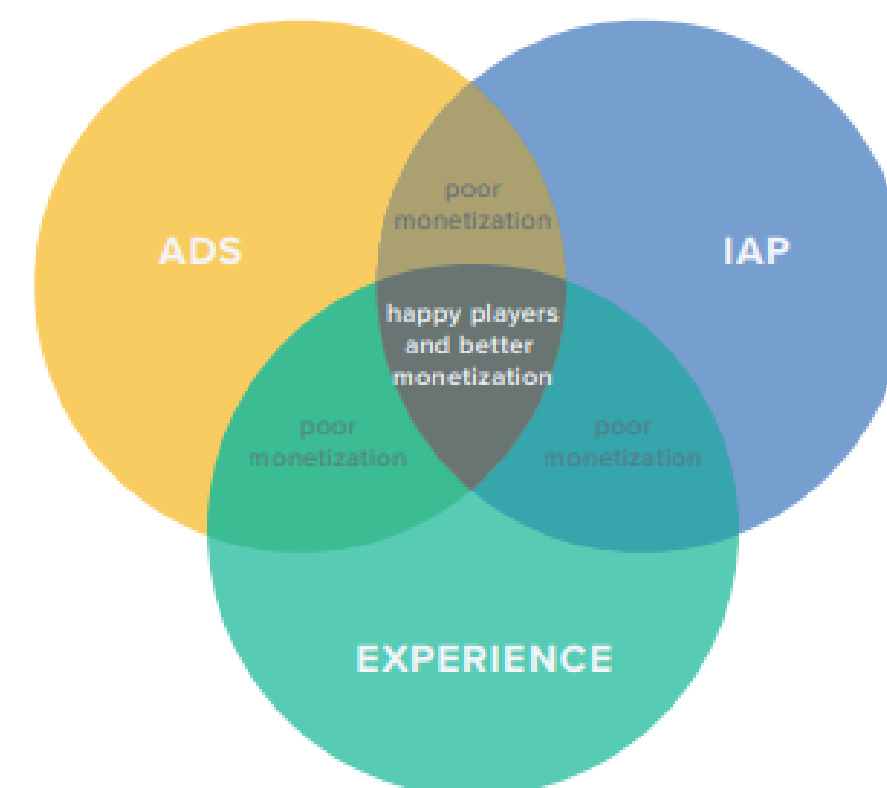
"Think of your game as a marketplace: focus on integrating monetization strategies as a joined up component of game-play"

Mark Robinson, CEO, deltaDNA
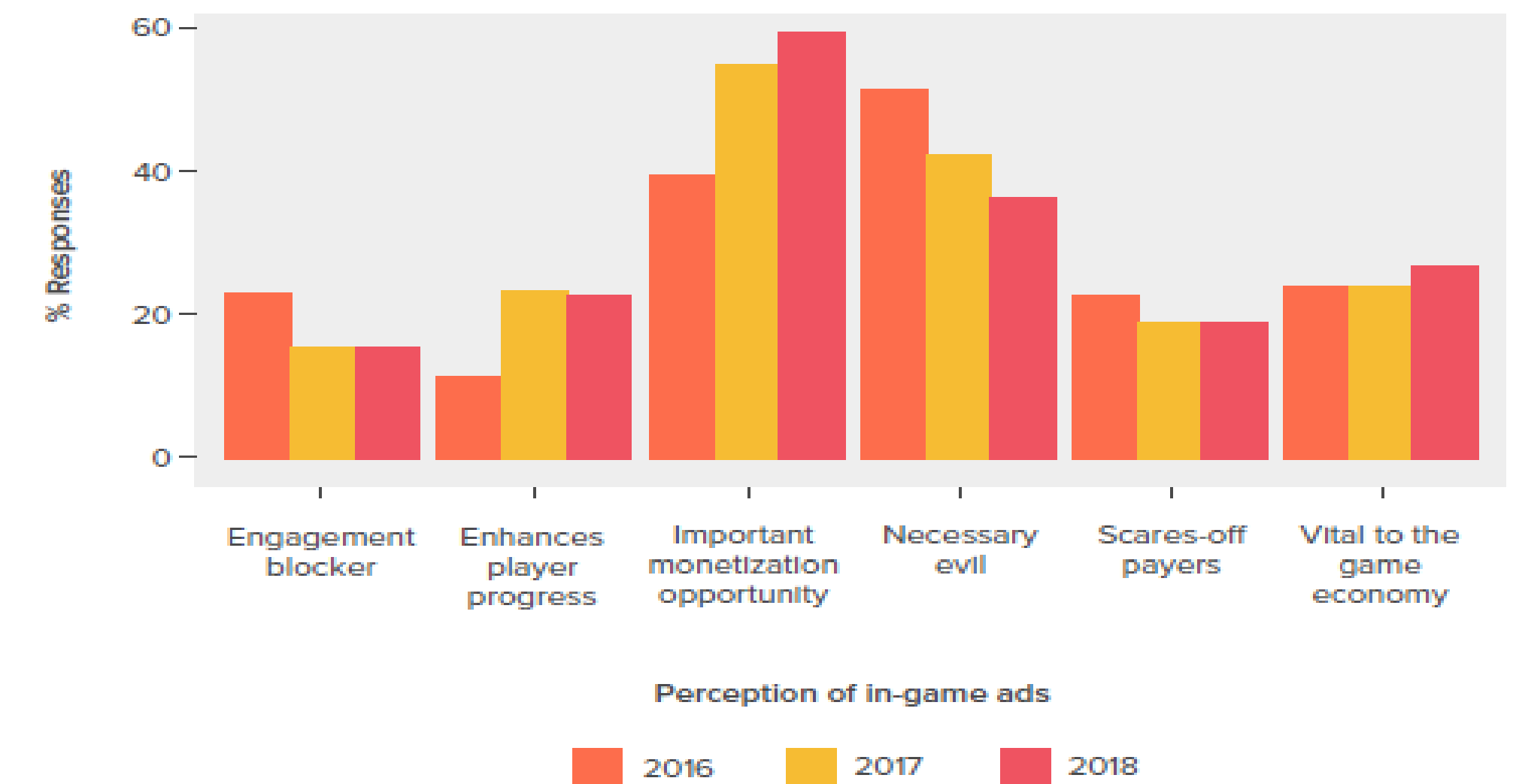
Best practices

Currently, considering factors that could drive away players, the best way to introduce ads in a game is by integrating these ads into the gaming experience. Some of the emerging practices are:

Incentivized ads – Ads where users watch videos in exchange for rewards in game in terms of currency or items. This has the highest returns in terms of CPM and try to create a more positive experience for the gamer (**see figure 2**).

Ad Gating – This involves a player having to watch an ad before being allowed to progress or continue to the next level. This is generally preferred by casual gamers as they get a break in between each level without interruptions while playing

Brand Placement – This involves advertising a brand through an object in the video game. For example, billboards on a racetrack in a racing game.

Game in a game – Ads that have an in built game. This involves the player in the advertisement and usually does not cause frustration (Duran, 2016)

Ad Blocking – This is the inclusion of an option to completely remove ads from the gaming experience for a small price. This is usually preferred by more hardcore players

Conclusion

There are many factors ranging from ethics to arousal that are crucial to ensure a growing use of in-game advertisements as a sustainable source of revenue for the video game industry. It is important to remember that games have a psychological impact on players, the limited capacity model suggests that there are only a limited number of mental resources a human can dedicate to performing activities simultaneously, and so it is critical for designers to design a positive experience around games that have advertisements (Wong, 2018).

As the industry continues to evolve introducing new ways to play such as VR and streaming services, it is important to remember that ads are here to stay. Marketers will continue to use video games as a medium to reach global audiences. There needs to a set of guidelines that a designer should follow to ensure accessing the best potential of in-game ads as a source of revenue and at the same time keep players happy. There is also a need for further research into the impact of in-game ads on the player experience, and also what aspects of advergames can improve brand image.

Figure 1. Unethical ads.

Figure 2. Rewarded ads.

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