Chapter XVIII

In-Game Advertising: Effectiveness and Consumer Attitudes

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ABSTRACT

This chapter reports a recent research study involving a sports video game which sought to provide an overview on the use of in-game advertising, consumer attitudes towards the practice, and an empirical test to assess its effectiveness in terms of brand recall and recognition. Intervening variables such as attitude towards advertising in general and in-game advertising in particular, brand familiarity, and experience with gaming was also considered. A sample of 32 participants was asked to engage in video game play of a relatively new sports game and complete a series of measures examining attitudes, recall and recognition of in-game advertising. Findings supported all hypotheses with the exception of the hypothesis predicting a positive relationship between attitude toward in-game advertising and advertising effectiveness in terms of recall and recognition. User factors such as age, game experience, game likeability, and item specific factors such as characteristics of the display panel and relevance of the product to the game were found to play an important role in improving advertising effectiveness. Contrary to earlier studies, attitude towards in-game advertising was lower than expected, especially amongst the experienced game players.
INTRODUCTION

Decreasing use of traditional media by consumers and increasing advertising noise requires contemporary marketers to constantly seek new communication channels in order to achieve their promotional objectives. While marketers are continually experimenting with a variety of mediums, video games are emerging as a potential breakthrough for advertising placement because of their exponential growth and distinctive advantage over traditional mediums (Alpert, 2007; Gwinn, 2004; Hyman, 2006; Molesworth, 2006; Nelson, 2002; Nelson, Keum, & Yaros, 2004; Nelson, Yaros, & Keum, 2006; Schneider & Cornwell, 2005; Yang, Roskos-Ewoldsen, Dinu, & Arpan, 2006).

Worldwide sales of video games are expected to surpass the sales of the recorded music industry (Alpert, 2007; Young, 2004) with some experts forecasting sales to reach $48.9 billion in 2011 (Szalai, 2007). Individual game companies are already grossing annual sums in excess of the entire movie industry box office for the same period. The reach of video games has also experienced exponential growth. Surveys in the United States estimate that 68% of men aged 18-34 and 80% of men aged 12-17 have a video games console in their home (Cuneo, 2004; Massive-Incorporated, 2007). These surveys report that the young male segment spends on average two hours per day playing video games, with American males reporting they played video games more frequently than they watched television. The increasing trend of video games as a recreational pastime is likely to come at the expense of television viewing, a medium traditionally used by advertisers to reach target audiences.

The revenue from the placement of brands and products within video games is expected to reach $850 million in 2011, and is predicted to eventually mature in to a $5 billion industry (Wolf, 2007). Game developers have also been quick to utilise the additional revenue stream that in-game advertising brings to reduce the burden of increasing development costs (Gaudiosi, 2007; Gwinn, 2004; Hyman, 2006). Gaudiosi (2007) notes opportunities for convergence were created with the rapid proliferation of internet enabled game consoles, which were selling at a rate of 500,000 units per month in 2007. These opportunities have not gone unnoticed. Major industry brands such as Microsoft and Google have entered the industry through acquisition of large scale in-game advertising brokerage agents Massive Inc and Adscape Media respectively (Gaudiosi, 2007). Equally impressive are the reported marketing successes of brands that have made use of this medium (Lindstrom, 2001). For example, Red Bull, a high energy drink, was able to gain invaluable exposure to its target market via the hugely popular futuristic racing game Wipeout, while the Mitsubishi Lancer Evo found a market in gamers after it was introduced to the United States following a petition to the car’s manufacturer by players of the Grand Turismo driving game (Nelson, 2004).

Despite the high growth and demonstrated potential of the in-game advertising medium, comparatively little empirical research has been conducted in this area to evaluate the effectiveness of this approach. This may be due to, in part, the sharp growth the practice has experienced, leaving researchers little time to examine the phenomenon. As the following literature review indicates, only a handful of studies have examined game players’ attitudes towards in-game advertising or its effectiveness. Many of these studies have used a qualitative methodology and did not systematically examine the effect of player attitudes towards in-game advertising and its effect on brand recall and recognition or have controlled for the complex effects of extraneous factors such as user familiarity/usage level of video games and the manner in which advertisements are placed within the game. Yang et al (2006, p 150) suggest that future research should consider “how frequent players of video game experience
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