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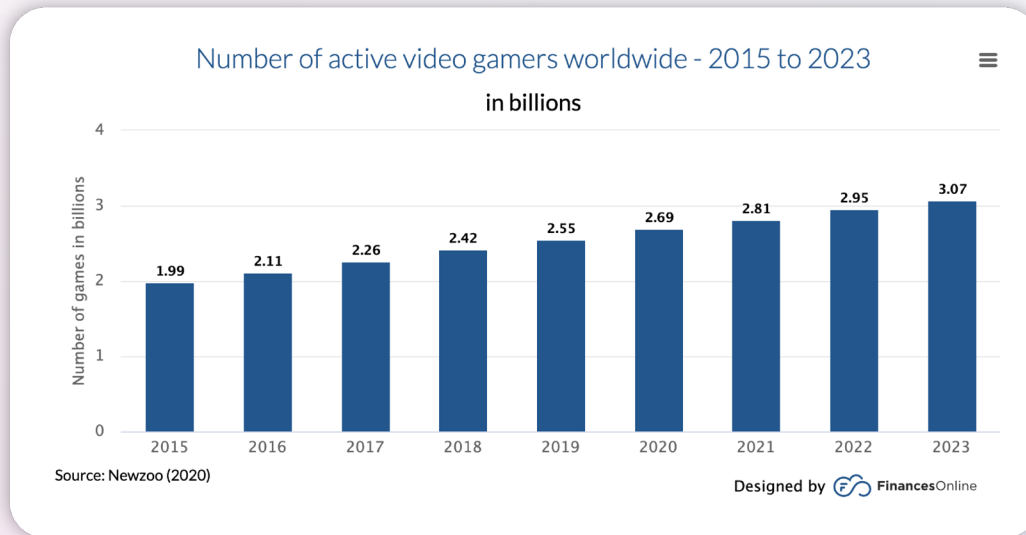
Reach and Reward:

How Brands Can Win With Gamers



Introduction

Since the invention of the first computer-based video game, *Spacewar!*, gaming has blossomed into one of the most profitable entertainment industries in the world. Gaming is now a \$160 billion global industry with 3 billion video game players worldwide in 2020. Nearly two-thirds of American homes have a gamer who plays video games regularly. Gaming now spans across multiple platforms and is at the forefront of technology.



The mobile technology boom revolutionized the industry and opened the doors to a new generation of gamers, integrating it with popular culture and creating a profitable juggernaut that has surpassed even the movie industry. Yet, the ad-supported revenue models that have fortified TV and the internet for decades have not worked nearly as well in gaming. Gamers have successfully (and justifiably!) rejected advertising that annoys them and interrupts their experience, but we think there's an exciting advertising opportunity in gaming.

If advertising is presented in exactly the right way, PlayerWON™ believes it can and will be embraced by players, game developers and brand marketers. In this eBook, we're going to show you a brand-new approach to advertising and sponsorship in games.

You'll learn about:

1. The Opportunity: It's Good to Be in the Gaming Business
2. Who Can Advertisers Reach Via Video Games?
3. Advertisers Must Follow the Gamer's Rules
4. PlayerWON: A Game Changer for In-Game Advertising

THE OPPORTUNITY: IT'S GOOD TO BE IN THE GAMING BUSINESS

Gaming is the Secret MVP of the Entertainment Industry

In September 2013, a new entertainment industry milestone was reached and it had nothing to do with TV program viewership, album sales or opening weekend at the box office. A new record was set when the release of the 14th installment of the video game, *n*, earned \$800 million in worldwide sales in its first 24 hours. It was the biggest launch day *ever* for any piece of entertainment.

Gaming is already bigger than Hollywood. According to a report by research and consulting firm Accenture, the gaming industry is valued at more than \$300 billion – more than the combined markets for movies and music. In 2020, over 214 million people in the U.S. reported playing video games at least one hour per week, and three-quarters of all U.S. households include at least one person who plays video games.

Gaming grew even bigger during the coronavirus pandemic, so it's not surprising that more companies want a piece of the action. In January 2021, Microsoft reported \$5 billion in quarterly revenue from gaming for the first time, in part because of a new generation of Xbox consoles.

According to Accenture, gamers are spending an average 16 hours a week playing, eight hours a week watching or participating in game streams, and six hours a week interacting in game forums and communities. Clearly, there is a huge opportunity to reach these consumers. It just has to be done in a way that doesn't interrupt the experience that brought them to the game in the first place. We'll get into our solution later in this book, but first, let's look at why games are an appropriate place for the right kind of advertising.



“ Beyond its already tremendous size, the gaming industry has had a significant global impact on entertainment and culture, spanning successful movie franchises, arena-based competitions, toys and more. ”

– Robin Murdoch, Global Software & Platforms Lead at Accenture

Where's the Opportunity for Advertisers?

While there has been advertising on free mobile video games for some time, this hasn't been the case for the "big screen" video games. The opportunity lies in the free-to-play (F2P) game space where players can play the game for free but have the ability to make purchases that enhance their gaming experience. Video game companies report that the vast majority of F2P players don't spend much money on their games. Even *Fortnite*, the most successful F2P game of all time, is expected to only convert 10% or less of its monthly active players into spenders in 2021.

However, according to PlayerWON surveys on Reddit, console and PC players across the top premium and F2P games want add-ons like season passes, vanity items, rewards and virtual currency. Our polls confirmed that advertising in video games could be a boon for marketers as well as publishers and developers if the experience was player friendly. To that point, more than 77% of gamers said they'd welcome the opportunity to exchange 15 or 30 seconds of their time spent viewing brand-sponsored video advertising in exchange for in-game rewards.

This is great news for brands who want to reach audience with the following characteristics:

Highly Engaged – The average gamer spends seven hours per week playing video games. Gaming is the number one media and entertainment activity for younger consumers.

More Purchasing Power – Gaming enthusiasts have 200% more disposable income than non-gamers.

Responsive to Ads – Gamers are in the market for products and services that reflect their interests. They want connections with brands that provide useful information about products, tap into their passions, and entertain them.

Less Expensive to Reach – Trying to reach this audience via traditional media can cost up to 6x to 7x more than targeting them with in-game video ads.



Advergaming: The Promise and the Challenges

An *advergame* is a form of advertising in which a video game is developed by or in close collaboration with a corporate brand for the purpose of promoting its products to players.

In the early 2000's, a combination of broadly distributed, free 3D game engine platforms and a generation of gamers moving into leadership roles at ad agencies and brands provided the perfect storm for an explosion of free, high-quality, multimillion-dollar, brand-sponsored games that launched in the web browser. Titles included over 100 from WildTangent alone, including *Nike Football Scorpion Knockout*, *Unilever's AXE Unlimited: Mojo Master* dating sim, *Toyota Tacoma Adrenaline*, *Dodge: Race the Pros*, *Coca-Cola: Live the Madness*, *Pepsi Shootout* and *Radio Shack: RC Riot*.

But this first wave of advergames fizzled out around 2010 due to brands' sky-high production expectations but incommensurate investment, the need for promotional budgets that were two to three times the costs of game development, and the rise of first downloadable, then social, and then finally mobile games that allowed talented development studios to sell games directly to consumers without the involvement of brands.

The advent of free-to-play games in mobile led to the rise in free-to-play cross-platform games being played on a PC on a big-screen monitor or TV. Games like *Fortnite*, which exploded onto the scene in 2017, allow players to purchase in-game items, virtual goods, the V-Bucks currency and season passes – and to enjoy exciting executions like in-game music concerts. A new version of advergaming has also returned, spurred largely by the emergence of metaverse platforms like *Roblox*.

This may be less expensive than how brands created their own games 20 years ago, but it still involves bespoke, custom development, promotional spend and retail partnerships that aren't inherently scalable. Even worse, players may feel it's unfair when only a minority of gamers have the time, inclination or stamina to grind away long enough to unlock in-game items. Giving everyone the opportunity to gain access to this exclusive content in exchange for viewing brand videos benefits isn't just more democratic, it benefits all parties involved both short- and long-term.

WHO CAN ADVERTISERS REACH VIA VIDEO GAMES?

With hundreds of millions of players, advertisers will have to decide the audiences that will be most receptive to their messages. While people of all ages play games, 80% of the audience is 13 to 34 years old. They play games for over seven hours per week to be entertained or to unwind. We believe this group holds the greatest potential for brand advertisers.

Think about it: when's the last time you watched an entire television program without looking at your phone? When's the last time you surfed your mobile device without pausing to do something else? We all multitask, not just at work but also when we're supposed to be relaxing with a piece of entertainment. Except for gamers. When gamers are sitting in front of their big-screen TV or almost-as-big PC screen, with controllers in hand, they're definitely not multitasking. In fact, video games might be the only medium in the world whose audience is paying 100% attention.

And now is the time to reach them. The A13-34 that dominate the gaming audience have been steadily abandoning traditional advertising-supported environments like linear TV (or are "cord-nevers" to begin with) and aren't focused on streaming TV either. This passionate, extremely valuable and incredibly elusive audience can only be reached via video games.

Plus, player controlled, in-game ads drive brand metrics. Research shows that 85% of gamers had a more positive opinion of a brand after choosing to engage with that brand's video message. In a study with a top console sports title, advertisers saw increases up to 92% in brand rating, purchase consideration, and brand recognition. In another study, 89% of gamers interacted with the brand after seeing the ad. They took actions like visiting the brand's website, liking their Facebook page or initiating a search for the brand.

What's the long-term potential for advertisers?

We believe that games will become the dominant platform for digital activities over the next decade. As a result, games will become one of the most important platforms for advertising and marketing during that time frame as well. It will become the place where people don't just play games but watch their TV and their movies (and their brand messages, too).

As we mentioned in the previous section, it's already starting to happen. For example, let's look at *Fortnite* again: The free-to-play game now has more than 300 million registered users around the world and is streaming private concerts and full movies to gamers logging on.

The introduction of brands and advertising into these massive and fast-emerging media platforms will require managing a delicate balance centered on a single, simple and unbreakable foundation: The gamer is in charge. These games are so popular because gamers and their friends playing them are the center of this universe. Ad models that emerge on these platforms will have to operate the same way.

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ADVERTISING MUST FOLLOW THE GAMER'S RULES

Respect the Game and the Player

Gaming requires more intense focus than watching movies or TV shows, so using advertising that has worked in those entertainment mediums has not worked so well in games. Playing a game requires the user to actively create and drive their experience. When ads are more integrated at appropriate times, such as before or after the game, players are more likely to engage with the ad and even enjoy the ad experience.

Anything that interrupts gameplay or creates issues with a game's economy is going to get a negative reaction on video game social channels like Reddit, Twitter and Discord, which will be detrimental to the brand's immediate goals and could even potentially sour its long-term relationship with the gamer community. So it's crucial that any brand-sponsored experience truly respects the gamer's point of view.

Keep in mind that this is an audience that doesn't watch a lot of television and is not comfortable with brand spots that just show up on a screen intermittently. They're more used to scrolling through TikTok, Snapchat and Instagram and having much more control over their feeds. So in a gaming environment, if brands want to interact with them, the gamers really need to feel like it's on their terms.

Reward-Based In-Game Ads Are a Win-Win

In recent years, players have become much more accepting of ads and the value exchange within F2P games. Some players even welcome ads that are presented as rewards, where players receive an in-game bonus for watching.

In fact, in-game advertising has many advantages for players, developers and brands.

Gamers will accept in-game ads if they have the choice to opt-in and are rewarded immediately. After all, this is a sharing-economy demographic. Players really want to be able to earn rewards in their games. Gamers are more than willing to devote time and attention viewing brand-sponsored video in order to unlock great free content. But it's super important that there's a clear value exchange, as players understand the inherent value of their time and attention to today's marketers.

For developers, it's an opportunity to increase retention, reduce churn and create a new passive revenue stream. Brands get a measurable and targeted channel to connect with a highly desired and otherwise hard-to-reach audience.

And while F2P console and PC games represent the greatest short-term opportunity for brand-sponsored video, the future holds even more in store. According to a report by mobile marketing agency, Swrve, over 50% of all mobile gaming revenue comes from just 0.19 percent of mobile gamers. The vast majority of mobile gamers either spend very little money on games or no money at all. This means that in-game advertising has tremendous potential to help developers monetize this large, price-sensitive audience, while bringing value to customers and brands alike. That's why mobile ad spending is expected to grow to over \$200 billion over the next few years.

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PLAYERWON™: A GAME CHANGER FOR IN-GAME ADVERTISING

Introducing PlayerWON: A New Gaming Experience

We've established that games are emerging as not just the fastest-growing media behavior among Americans, but as the next dominant tech platform. PlayerWON is at the forefront of this trend. Just as Simulmedia began reimagining TV for marketers, brands and agencies back in 2008, we're now doing the same for video games.

PlayerWON, a division of Simulmedia, is the first engagement and monetization platform for free-to-play console and PC video games that lets players earn valuable rewards in exchange for watching high-quality brand-sponsored videos.

Unlike advertising on other mediums, our platform puts the player at the center of the experience. With PlayerWON, sponsored brand videos only run only during downtime in games and players are in full control of whether or not they view ads in return for valuable in-game rewards. They can choose to exit the ads at any time – but, in fact, we've found that the vast majority of gamers choose to actually watch the videos to completion. That then unlocks rewards that enhance their personal experience.

Players earn game items, including game currency, vanity items, skins, boosts, powerups and new characters. In some cases, games have implemented collection rewards for achieving a certain number of video ads watched, such as treasure chests that can contain multiple items and have material monetary value.

The reward-based ad format not only respects the playing experience, but also heightens their engagement with your message. And, as noted earlier, it's what *gamers themselves told us* they wanted, by an overwhelming (77%+) margin.

And unlike the “watch and earn” ads that have become standard in mobile F2P games, PlayerWON delivers premium, CTV-quality brand videos – as opposed to the app-install style ads that are typical in the mobile space. Our fully immersive experience complements gameplay instead of competing with it.

We cannot emphasize enough that the expectation of the quality of brand interaction is extremely high as far as PC and console game players are concerned. The enormously popular F2P games that are being played on large TV or PC screens are massive 3D productions that can cost hundreds of millions of dollars to produce with hundreds of developers keeping them live constantly updating. The quality of the sponsored brand messaging in games like these has to be commensurate with these rich, immersive, big-screen environments.



What is PlayerWON?

The engagement and monetization platform for free-to-play console and PC video games.

Opt-In Ads – Players choose to watch sponsored video in exchange for valuable rewards, generating positive brand sentiment.

Rewards for Value Exchange – After full ad completion, gamers earn rewards in exchange for their attention.

High-Quality Advertising – Fully immersive, sound-on experience that drives unprecedented engagement

Reporting and Insights – Seamless campaign activation, management and reporting to make reaching gamers easier.

Gamers aren't the only ones who benefit from PlayerWON. It's also a win for the game developers trying to keep up with player expectations. With the massive proliferation and popularity of game titles, developers are competing for gamers' time and attention more than ever before. By giving their players increased choices for how to "pay" for all the game content they're creating, PlayerWON helps developers make the games more engaging for their players, which in turn drives lifetime value and reduces churn.

Plus, given the fact that the majority of F2P players on PCs and consoles *rarely* or *never* spend any money in the live service area of those games, we're providing a way for developers and publishers to help their loyal players access all the additional content that's being created, while creating a new passive revenue stream for themselves.

PlayerWON is steadily expanding its presence in PC and console games around the world, and we're happy to report that the metrics for player sentiment, engagement and retention among the viewers of the brand-sponsored video advertisements are nothing short of spectacular.



What Players Are Saying About PlayerWON

We looked at what real gamers had to say about PlayerWON across social platforms such as Reddit, Discord, YouTube and more. Here's a sampling of how they reacted to the experience:

"I'd happily binge ads when I'm waiting for friends to get online... or in between rounds."

*"The key word here is **optional**. This is a fantastic way of doing it."*

"This all sounds great to me! I think it's nice that you can get some free stuff just by watching!"

"Honestly a pretty great idea and supports F2P if kept optional"



How Does PlayerWON Work?

PlayerWON is deeply integrated into the codebase of each game. It is the core ad-serving "brain" that publishers use to manage and monetize their advertising opportunities and balance between player experience, publisher monetization and advertiser requirements.

Conclusion

The Future of In-Game Advertising

Why are we so bullish on gaming in advertising, and particularly our PlayerWON platform? Because opt-in rewarded ads have never materialized on console and PC in-game ads and PlayerWON is all about player control and agency over their game experience.

We know that games like Fortnite are so popular because gamers and their friends playing them are at the center of the game's universe. Ad models that emerge on these platforms must operate the same way and we expect our model to become the de facto new standard for console, PC and cross-platform games within the next two years.

What might that advertising look like? It will start with permission. Gamers will have to consent to accept each and every ad. And it will include skipping. Gamers will need to be able to skip any ad they don't want to watch. PlayerWON provides these options and more.

In addition, ads in video games must involve rewards because gamers want to receive value for ads that they watch. The majority of *Fortnite* players don't spend on anything in the game, but those same hundreds of millions of gamers will likely want some of the same stuff their friends are getting. Watching brand-sponsored videos to get these perks will be an attractive path.

And let's not forget the creative. Bringing ads to premium video games will absolutely require amazing ads, with really great, relevant creative. Sticking in ads from programmatic feeds or taking any old spot off TV or YouTube won't cut it.

For brands to be welcomed into video game environments, they will need to put in the same time and resources to the ads they create for the Super Bowl or the Academy Awards. They'll need to create great ads that are highly relevant to the event while being a fun and memorable experience.

If they do that... *game on.*

ABOUT PLAYERWON

PlayerWON™ is the first engagement and monetization platform for free-to-play (F2P) console and PC video games that lets players earn valuable rewards in exchange for watching premium, high-quality sponsored videos.

PlayerWON enhances and enriches the playing experience for gamers by providing them with opportunities to earn valuable in-game rewards, while driving engagement, retention, lifetime value and additional revenue for publishers and developers. For advertisers, agencies and marketers, PlayerWON is the only viable means to reach highly valuable but otherwise extremely elusive audiences inside games and reward them for viewing sponsored video messaging. For more information, or to see PlayerWON in action, visit PlayerWON.com.

PlayerWON is a division of Simulmedia, Inc.

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