

EFFECTS OF IN-GAME ADVERTISING ON THE WORLD ECONOMY¹

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Abstract

In order to improve their market position and engage with customers more effectively, companies in the video game industry are choosing digital advertising over traditional methods of advertising due to the intense competition in the market. As any commercial activity that occurs within video games, in-game advertising is undoubtedly one of these. All video game ads, though, are not a commercial success. They can make players unhappy and irritated if they are not skilfully incorporated into the game. But an effective in-game advertisement can have a positive effect on customer perceptions of the brand and their purchasing decisions. The most notable and successful of these kinds of advertisements are those that offer rewards to players upon completion of a viewing session (for watching full-screen video adverts). Player engagement can be increased in this way. The world economy is predicted to benefit from the substantial growth in the in-game advertising industry in the upcoming years, which is mostly attributable to the rapid advancement of immersive and artificial intelligence (AI) technologies. In addition to the proven ability of this kind of advertising to lower costs, increase reach, and boost return on investment (ROI), marketers must also achieve the ideal balance between attracting in viewers and preserving the player's gameplay experience.

Keywords: In-game Advertising, World Economy, Video Games.

1. INTRODUCTION

Since the digital game market has grown extremely competitive, game developers and marketing specialists are always under pressure to reach their customers with creative contents, establish adequate interaction with them, and provide solutions that exactly match their wants and desires in order to gain a competitive advantage (Baltezarević & Baltezarević, 2024). Any marketing activity that takes place within video games is commonly referred to as "in-game advertising." This includes product placements, games that are only advertisements, and advergames (Wise et al., 2008).

The potential applications of digital marketing are not company-specific, so even small and medium-sized enterprises need to stay on top of trends, become digitally literate, and create strategies that are effective (Ravić et al., 2022). In some respects, in-game advertising is different from traditional advertising since it is integrated into digital games. Since in-game advertisements are unavoidable, gamers' exposure and reach are assured. Since many people play games over extended periods of time, they have a long "shelf life." Gamers enjoy playing their games and are frequently highly engaged in them.

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Their connections to the game convey meaning and effect to the brands that are included within the game (Poels et al., 2015). It is evident that video games have potential as a marketing channel because of the way that men and women are changing their media habits, and studies have shown that in-game advertising can be highly successful (Herrewijn & Poels, 2014).

Even though gaming advertisements have always been seen as a little bothersome, they have advanced significantly. These days, they come in a variety of, frequently less obtrusive formats, such as integral in-game advertisements. Ads for video games are typically displayed as pop-up windows, on-screen commercials, billboards, backdrop displays, and more (Mahler, 2024). According to a study, traditional marketing strategies are gradually losing ground to digital marketing strategies in this industry. However, in order for a company to stand out from the competitors in the current volatile market conditions and be perceived positively by consumers, their strategies must be carefully planned and creative (Baltezarević et al., 2023).

Global gaming revenue is predicted to exceed \$300 billion before the end of the decade. 27% of individuals in the US alone play video games for one to five hours a week. This emerging arena offers enormous advertising prospects (Ahmad, 2024). Between 2023 and 2028, the In-game advertising (IGA) market is expected to grow at a compound annual growth rate (CAGR) of 13.87%, or USD 6.07 billion. The market's growth and trends are closely related to a number of important variables. The desire for immersive experiences is fuelled, in part, by the exponential growth in the global gaming population. Furthermore, the growing collaborations between video game companies and marketers have produced creative methods for dynamic in-game advertising that boost player engagement and generate new revenue streams. The growing popularity of mobile gaming, which appeals to a wide variety of gamers due to its accessibility and ease, is fuelling the market even more. These trends emphasize how dynamic the industry is and how crucial innovation and flexibility are to satisfying changing consumer wants and market trends (Technavio, 2024). With its large income generation and abundance of job prospects, the gaming industry plays a vital role in the global economy. Its effects can be seen in a number of areas, such as esports, in-game purchases, hardware sales, direct game sales, and associated industries (Digital-trans.asia, 2024).

2. LITERATURE REVIEW

Because of the social connections that players of the game make, the game is ever-present in people's lives and is necessary for both the individual and the community (Baltezarevic et al., 2018). It's the game itself, not the advertisement, that draws in customers when they play. However, the player may become irritated with an advertisement if it is improper and poorly integrated into the game (Chang et al., 2010). The term "in-game advertising" refers to the placement of brands within game environments, typically in the form of sponsor signage, billboards, or posters in sports and racing games (Ibid). In 1978, the computer game "Adventureland" saw the introduction of in-game advertising, which was later commercialized in 1991. The revenue from in-game advertising has increased significantly year over year (Tassi, 2011).

It is important to distinguish between in-game advertising and product placement, even though there are occasions when it can be challenging to tell the two apart. Product placement is a popular tactic in video games since it allows users to engage with products in authentic settings and suggests support when a celebrity or fictional figure utilizes the product (Kuhn et al., 2004). Customers' perceptions of advertising may be impacted, which may have an effect on their desire to purchase the promoted commodity.

Customers' purchase intentions or good brand behaviour are also demonstrated when they have a positive attitude about the product or brand that is featured in the advertisement (Punyatoya, 2015). There are two primary types of in-game advertisements: static in-games, which always have the same appearance when a game is played, and dynamic in-games, which allow the advertisement to adapt based on the player's internet connection. Before the game is sold, static in-game advertising is incorporated into the computer and video game, and it cannot be altered afterwards. The dynamic in-game advertisements have the option to be renewed every time a game is accessed from an internet-connected computer or console. They make use of data on dates, locations, times of day, length of games, and any other user-related information provided by specialist local agencies (Abrudan, 2009).

Previous research has demonstrated a positive correlation between the efficiency of in-game advertisements and gamers' enjoyable gaming and in-game advertising brand experiences (Vermeir et al., 2014). In comparison to static, still image ads, animated in-game advertisements, such as those on billboards within the game's world, produce higher levels of ad recognition. The same study also discovered that in-game advertisements with low ad/game relevance produced higher levels of ad recognition, while those with high ad/game relevance produced greater positive effects on players' attitudes toward the ad placement (Huang & Yang, 2012). The three main categories of in-game advertising tactics used nowadays are as follows: a) In-Game (the advertisement is inserted in the game either directly, indirectly, or through other means). b) Around the Game (although the advertisement is not within the game environment, it is still a part of the gaming community). c) Away from the Game (events in the gaming business, eSports, or purchases of advertisements by streamers) (Palla, 2023).

Using banners, movies, and other digital media, in-game advertising is a growing segment of the gaming business that targets players who are fully engrossed in their games. Nonetheless, obstacles such as restricted game compatibility and incompatible gadgets may impede efficiency. In order to capitalize on user engagement, advertisers look for ways to smoothly incorporate promotions into digital gaming experiences. With targeted and non-disruptive ad placements, there is tremendous opportunity to monetise gameplay and improve player experiences as computers and consumer devices continue to advance (Technavio, 2024). Despite the fact that males still predominate in gaming personas overall, mobile-only gamers have a higher female to male ratio (55% to 45%, respectively), according to GWI. People of various ages and backgrounds play games, particularly mobile games. This is another reality about games. When it comes to casual video gamers, Millennials (those between the ages of 23 and 36) are the most active demographic. While Gen Z (16–22 years old) and Gen X play video games equally frequently, Gen X is the second largest group of gamers that only use mobile devices (Mahler, 2024). As per the most recent ironSource survey, more than 70% of all mobile buyers underestimate the proportion of gamers that interact with rewarded video advertisements to unlock content, whether or not they purchase in-game ads. Nearly 75% of users, according to eMarketer, would view an advertisement in exchange for in-app purchases or money, compared to more than 50% of users who do not purchase in-game advertisements and an estimated 65% of media buyers (Dillon, 2021).

Through the sale of ad space within their games, game producers can monetize their creations through in-game advertising. Although the advertisements are presented in a variety of ways, all of them aim to attract the viewer's attention while keeping the player's gameplay experience uninterrupted. A common option for marketing initiatives, in-game advertising can increase purchase intent by up to 12%. Mobile advertisements in gaming have many advantages.

Apart from earning income through in-app purchases, creators of apps can enhance user experience to boost engagement by rewarding video viewing or displaying relevant material through in-game advertisements (Content & Insights Team, 2022). By rewarding users for seeing full-screen ads, this advertising technique incentivizes consumers. The completion of a 15–30 second video advertising grants users access to new levels, more lives, money, and other in-game advantages. Rewarded video adverts are becoming more and more popular among users, preferable over in-app purchases. Furthermore, incentivized video advertising is successful at increasing user engagement, and 62% of developers have seen an increase in user retention as a result of their implementation (Ahmad, 2024).

As the gaming industry continues to change, advertisers may use the comprehensive consumer data to inform their choices and create closed-loop marketing strategies. The way in which gamers use games indicates parameters that both creators and advertising should pay attention to. Consumer data insights can help answer important questions like which game features are most used, retention issues or signals, areas where new in-game revenue-generating features can increase profitability, and which game genres should be targeted if a particular kind of product category is to be advertised (Pyschny & Goyal, 2022). The global video game industry brought in \$406 billion in revenue in 2023, 18% higher than the combined \$338 billion earned by the music and film industries. Video game revenues are predicted to approach worldwide TV revenues (nearly \$700 billion) in three to four years (Karagöz, 2024).

The global in-game advertising business is expected to grow significantly, with revenue expected to reach an astounding US\$110 billion by 2024. In addition, a consistent annual growth rate (CAGR 2024–2027) of nearly 10% is predicted for this industry, translating into a projected market volume of US\$145.50 billion by 2027. The market for in-game advertising is expected to reach more than US\$9 in terms of average revenue per user (ARPU) in 2024. Globally, in-game advertising is expanding at a rapid pace, with the US, Japan, and China setting the standard for market acceptance and income creation (Statista, 2024). Admix data indicates that during the course of the upcoming year, media buyers will both maintain and raise their in-game advertising budgets. Furthermore, by 2025, nearly 95% of media buyers would like to conduct in-game advertising campaigns. The primary benefit of in-game advertising is that, without interfering with the gaming experience, advertisers may raise brand exposure and engagement by displaying adverts to consumers in a natural and organic way (Zawiślak & Sweeney, 2024).

On a range of gaming platforms, such as consoles, PCs, and mobile devices, in-game advertising is currently widely used. It offers services to various sectors, such as FMCG and automobile, that target certain demographics and test new marketing strategies using in-game adverts. North America and Asia-Pacific, with their sizable gaming populations and robust digital ad expenditure, lead the in-game advertising market. Furthermore, emerging markets like Brazil and India are witnessing growth in the market share of in-game advertising due to the increased number of individuals playing mobile games (Imarcgroup, 2023).

With multiple participants including Google LLC, Anzu Virtual Reality Ltd., Blizzard Entertainment Inc., Electronic Arts Inc., IronSource Ltd., etc., the global in-game advertising market is rather consolidated. To increase their market share, the corporations keep funding product development and strategic alliances. Adlook and Anzu, one of the most sophisticated in-game advertising networks, teamed in August 2023. Together, they want to use Adlook's cutting-edge platform for brand growth to help companies and agencies realize the huge potential of intrinsic in-game advertising. Games can benefit from high-quality direct traffic delivered by Anzu's cutting-edge SDK technology, which gives them total control over ad placements and first-party data (Mordorintelligence, 2023).

In recent years, these adverts are placed in online games using artificial intelligence (AI) and real-time bidding (RTB). Agents used to be in charge of handling and buying in-game promos, which might be expensive. However, by removing human intervention, programmatic advertisement buying has improved the procedure's effectiveness and cost-effectiveness. To purchase in-game advertisements via the conventional manner, advertisers had to go through quotes, tenders, proposals, and in-person negotiations. On the other hand, algorithms are used in programmatic in-game advertisement buying to obtain display space (Finance.yahoo, 2024).

The in-game advertising business is expected to be driven by a number of factors, including reduced advertising costs, increased reach and ROI, quick integration, and straightforward ad settings in social gaming. Furthermore, the industry can be stimulated during the projection period by adopting secure payment alternatives for gaming, as this lowers fraud. The industry is expected to expand due to the rise in the quantity of free smartphone games with in-game advertisements. The in-game advertising industry is expected to grow further based on the transactions and market expansion of the leading market participants. As a result, in-game advertising will be used by more applications. With the rise in popularity of social networking and mobile gaming, the business is predicted to expand globally (Intellectualmarketinsights, 2023).

3. CONCLUSION

The video game industry is increasingly becoming one of the world's most powerful industries, which gathers a large number of players, that is, potential consumers. Companies have been advertising in digital games for decades, and the development of new technologies has enabled them to reach and communicate with their consumers much faster and more efficiently, offering them their brands. Lately, in-game advertising stands out as one of the most effective advertising methods in this industry. If it is carefully designed and elegantly incorporated into the video game, it will not irritate the players, which is a very common case in general. Among the different forms of in-game advertisements, those that reward players after watching a video lasting 15 to 30 seconds have proven to be the most effective. They have a positive impact on player engagement, increase ROI and reduce costs. On the other hand, even more than 60% of developers report that adding this type of in-game advertising has increased user retention levels.

The primary benefit of in-game advertising is that, without interfering with the gaming experience, advertisers may raise brand exposure and engagement by displaying adverts to consumers in a natural and organic way. In 2023, the worldwide video game industry is expected to generate over \$400 billion in revenue, about 20% higher than the combined revenues of the film and music industries. This is irrefutable evidence that marketing professionals will inevitably end up in this sector. It is anticipated that the worldwide in-game advertising market would experience substantial growth, with revenue estimated to approach US\$110 billion by 2024. In conclusion, the gaming sector is a major economic force that has an impact on a variety of sectors, such as advertising, technology, and entertainment. Because of its consistent growth and appeal on a global basis, it is expected to maintain its significant role in the global economy in the years to come.

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