Effect of produce placement in computer games

Product Placement

Does Product Placement in Computer Games Affect The Consumer's Buying Behaviour?

Chapter 1 – Introduction

Can you remember a movie in the cinema without some kind of product placement (a product and/or a brand intentionally placed in a cultural medium (Lehu, Bressoud (2007))? Placing branded products in entertainment media like movies is not a new developed concept.

This kind of advertising nowadays is very common. People often ask themselves what exactly advertising is. The term advertising describes any communication effort that might influence consumer purchase decisions (Rotfeld, H. J., 2008). Different types of models can therefore be used like product placement used in movies or in computer games.

Everything started with investments in the production of radio programs at the beginning of the 1930s. Consumer product manufacturers tried to reach their target audiences via the radio through so called sponsor-owned shows (Lavin, 1995). Product Placement, also called brand placement and " brand casting", appeared first in motion pictures as early as the late 1940s and early 1950s. One example was in 1948 in the drama *Mildred Pierce* where an actor in the movie drank Jack Daniels whiskey (Nebenzahl & Secunda, 1993). In the beginning, using branded property by donating, loaning or purchasing them for particular movie scenes just to enhance their artistic qualities (Spillman, 1989). Since Reese's Pieces appeared in the blockbuster movie *E. T. The Extraterrestrial* , over 20 years ago, product placement has developed and evolved significantly. That implicated that after the film release, Hersey

claimed a 65% increase in sales of Reese's Pieces (Karrh, 1998). Today, almost every movie contains product placement. While in the " James Bond"- Movies 007 drinks Martini, Will Smith drives a Porsche 911 Turbo in Bad Boys. (Quellen) There could be mentioned thousands of examples like this as today ads in movies are very common.

Beside movies, another media based method to reach a wide range of consumers, can be seen in ads turning up in computer games. To date, except for movies or television, attitudes toward product placement in media have received little attention, despite increased product placement in games (Nelson, 2004). Computer and console games are getting more and more interesting for marketers due to today's households own at least one PC and playing computer games nowadays is very common. This applies not only for the youngsters in a family but also for their parents who also play games.

Computer games are emerging as a new medium for advertising but yet there is comparatively little empirical independent research investigating the outcomes of marketing communications using this medium.

Ads in computer games have not a very long tradition like ads in movies but nowadays it is more and more often used. To reach key consumer segments, marketers are turning to games in order to improve their chances. In 2005, advertisers spent $80 million to reach video game players. Experts expect this spending to top $400 by 2009 (Park Associates 2006). Whether it is billboard ads, sponsorship and product placement, or the game character experiencing the product by drinking, wearing, driving or listening to it as a

part of the game, the opportunities for branding in computer games are vast (Townsend, J., 2007).

While European gamers' most popular form of entertainment is watching TV, the $25 Billion gaming is even bigger than the $10 Billion film, as well as the $20 Billion home video industry. If we believe analysts from PricewaterhouseCoopers, the worldwide game industry is set to rocket to revenues in 2009 of about $54. 6 billion (Ferrand et al., 2006). In regard to those numbers for today's companies advertising in computer games has also become important to gain popularity. As 75% of people who have internet access also play online games for more than an hour per month (NEUE STUDIE IGDA Online Games SIG Steering Committee 2005).

Another important issue today is subliminal advertising in media. Beginning in 1982 many people were concerned about subliminal messages in rock music claimed that messages had been recorded backward into popular rock music (Vokey & Read, 1985). They feared that these messages could be perceived while listening to the music in the normal way. Even in computer games there is advertising that is perceived just incidentally. This might be true for example in racing games. Here might raise the question whether the player perceives billboards while driving with a speed of 130 MPH. Nobody can say if some kind of messages have an impact on our decision making process. Yet no empirical study has explored incidental effects on computer game players by advertising. Furthermore, it has not been investigated if the placement of the ads is designed to be subconsciously processed.

1. 2 Reasons for Choice of Topic

The topic in this paper was specifically chosen due to the writer's interest in the area and desire to learn more on the subject of game related advertising issues and effects on the consumer of computer games.

1. 3 Research Objectives

This paper explores recent developments in the video game market in marketing practice that have resulted in brands being found in an increasing number of computer games. The main target of this investigation is to work out if product placement has any impact on the consumer in terms of the buying behavior and actions that the consumers enforce as a result of brands appearing in computer games.

To investigate the prior research question, there will also be investigated if product placement is perceived by the respondents and their attitude towards product placement will be examined. As the subconscious as a component that should not be neglected in terms of subliminal advertising, it should be questioned whether it has any influence on the consumer or not.

All these questions are coherent as if people perceive the product placement and have a positive attitude towards product placement it is possible that they subliminally perceive the placements. As all this is coherently, it is also possible, that buying decisions are predicated on these variables.

1. 4 Computer Games – Limitations

Academic and professional literature on gaming often makes distinctions between computer games, video games and electronic games. These boundaries are blurred and moreover the situation is complicated by the

availability different types of games. There are console games, PC games, mobile games, handheld games, interactive entertainment and virtual worlds that could be differentiated. Some of these distinctions are made to describe the hardware on which the games are played. Others also refer to a particular characteristic of the medium or the social aspects of playing.

This variety of different types of consoles and handhelds is not helpful especially considering that today many games like for example the game Doom can now be played on cell phones, calculators in addition to PCs and tricked out consoles. Creating and using a separate name for each case/instance of a new hardware group would quickly become obstructive. The term " electronic games" might be too broad as it could also include games that are technically electronic like for example pinball machines. This kind of media is rarely discussed in the context of " video" or " computer games".

Like a good fit on the other hand seems to be " computer games". The term " computer games" refers to games that are controlled or used by a computer which is a machine that digitally processes data according to a set of instruction. This then again includes a large range of devices that contain an embedded computer. Computer games that use a video display as the primary feedback device can be described by the term " video games". Since most of the games discussed in this paper rely on computer monitor or a television screen for the visual playback, " computer games" and " video games" will often be used alternately. Below there will also follow a contextual definition while clarifications will be provided when necessary.

1. 5 Chapter outline

Following from this chapter; chapter two gives a crucial review of the literature available on the chosen subject matter and identifies an apposite theoretical framework for this study. It looks at the issues raised by academics and provides a basis for what has been observed.

Chapter three discusses the quantitative methods used in this dissertation to collect the research required. The set up of a questionnaire is depicted as well as the appropriate methods that need to be factored in.

Chapter four presents the findings of the primary research undertaken for this dissertation and the findings will be analyzed using content analysis in order to put some figure to the numeric nature of quantitative research. It will present the participant's answers to the questions asked for the research of this project, and reiterate statements made in the data collection process (questionnaires).

Finally in chapter five the research findings and analysis and attempts to draw conclusions from this are considered. To resolve the matters discussed and argued in this paper, the conclusion will help to draw an end to this dissertation.

Chapter 2 – Review of Literature

2. 1 Introduction

This chapter deals with the academic literature and pre-existing studies on the subject of product placement in computer games and its impact on the consumer. This chapter's aims and objectives are to afford better clarification of the topic and the variables that affect consumers. Existing

studies will be explored further and perhaps bring new understanding to the subject. This is achieved through the way in which this chapter is structured; by looking at the definitions presented by academics of product placement; subliminal advertising; brand recognition and recall; brand equity and trust; considering various studies and selecting the most appropriate ones for this dissertation to prove the research questions.

2. 2 Product Placement

From the time when movies provided brands in the 1940s and 1950s, they have been served as background scenery as well as props and character developers. Advertising supports media economically, yet for product placements but when the practice began with branded products it was donated, bartered or bought (Nelson et al., 2004). Today, companies generally are paid by film-makers to appear in the movies (Chunovic, 2002) and that change was then being followed in the game industry, too.

Brand properties or placements differ from conventional broadcast advertising in leastwise three ways: At first, placements do not suspend the media experience of the consumer like it is done by paid media advertising which operates between media content (Nelson et al., 2004). Secondly, placements are according to Wasko et al. (1993) not always paid by the brand. Thirdly, Nelson et al. (2004) claim that it would be important that placements are not be perceived by consumers as commercial messages.

In a public policy debate the extent of the consumer awareness and knowledge about product placements is considered an important measure. Product placements are presented as subversive, subconscious techniques,

even though others assert that most consumers are aware of the practice (Nelson et al. 2004).

The continuous advances in technology have made it incrementally easier for consumers to circumvent traditional advertising messages. Whether bypassing advertising by switching to another channel via the remote control or VCR and DVR make it necessary for advertisers to find other ways to catch the attention of the consumers to make them buying the company's products. One such strategy that marketers have begun to make use of is product placement in entertainment media (Lee, Faber, 2007).

2. 3 Definition of games and information about the people playing them
While taking all the time about games; what is a game in the sense used in this paper? Jesper Juul (2003), a video game theorist, investigated seven well-known definitions of games which have been provided by different academics. Based on a screened listing of features which describes issues that are necessary for something to be a game, he then identifies 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" (Juul, 2006). To be able to understand the distinctive features of the computer games particularly as a medium, this description will become helpful later.

To understand the entire matter around games, there should be explained the type of people who play games. According to a study conducted by the Interactive Software Federation Europe (2008) the average gamer in Europe

today is 33 years old. It is also claimed that in a typical week 45% of the PC owners play games more than 1-5 hours while 29% play more than 5 hours. In case of console owners it is more or less the same so this does not need to be considered separately as in this paper this component is not taken in account. The main reason of playing is for most of them to play just for fun (80%) followed by relaxing and de-stressing (55%) and playing when they are bored (41%) (Interactive Software Federation Europe, 2008).

Gamers are people who immerse themselves in an alternate reality which allows brands having the permission to act in a way that helps players to do this. Shortly this means, as brands appear in or around a game, it makes sense to use them to enhance the virtual reality (Mediaedge, 2005). Nevertheless it would be pointless to place billboards of real world advertising like Coka Cola in games with a fantasy setting like for example the well known World of Warcraft. That kind of product placement would not turn up realistic and it would disturb the player's experience. World of Warcraft is an ongoing multiplayer world that was subscribed by about 8 million at the beginning of 2007 which (Blizzard Entertainment, Inc., 2007) has increased to 10 million in 2008 (Blizzard Entertainment, Inc., 2008). The expert Samuel Turcotte (Lehu, 2007) claims that ' product placement isn't about sales; it's about brand awareness'. Aiming on increasing sales and making the customer aware of one's product, marketers should not try to disturb the player's word but enhance it. Examples like World of Warcraft show that those players or subscribers are out of advertiser's reach.

Today in generally things have changed as product placements are part of many games. Depending on the setting and the kind of placement, many

products found their way into the games. Whether BMW in car racing games like for example Need for Speed or ordinary products like Axe deodorants and Airwaves chewing gums in Splinter Cell – Chaos Theory, most products that appear in the games are products that surround gamers and non-gamers daily.

According to a study conducted by Nielsen BASES and Nielsen Games on behalf of in-game advertising network IGA Worldwide, 82% of gamers react positively to contextual In-Game Ads (Androvich, 2008). Results of this study showed that of consumers with the strongest opinion about in-game ads, both positive and negative, over 70% felt the ads made them feel better about the brand. They felt more favourable toward the brand and it made them more interested in the brand. Ultimately they believed that the ads are for innovative/cutting edge brands. More than 60% of these most opinionated customers feel ads do not interrupt their attention while experiencing the game. Also, the ads catch their attention and make games more realistic as well as the brands shown in the games are promoting relevant products. According to Lockergnome (2007), most of today's computer games give the impression being made for men. An industry report published by IBISWorld (2008) reveals that women and older adults are the new driving force behind the success of the video games industry. According to IBISWorld (2008) it is also claimed that today, more and more women begin to play action games.

Today in general the consumer research on product placements has focused on attitudes towards the practice and the effectiveness (Nelson et al., 2004).

2. 4 Gamers' attitude towards product placement in computer games

Advertising placements that mimic real-world ads – such as billboards in sports or racing games – are generally accepted by gamers because they have perceived to add to the realism of the game (Thompson, 2006) which is also in accordance with Nelson (2002). He claims the research on consumer attitudes to in-game product placement shows that participants were in the main positive about practice and did not perceive any disruption in the experience of the game used in the study. As already mentioned above, brands should be used as enhancer of the virtual reality (Mediaedge, 2005), some participants of the study just mentioned reported that product placement enhance the realism of the game as well as it would add value to the gaming experience (Nelson, 2002).

The argument that consumers are more positively disposed towards brand placements relative to more conventional forms of advertising is also supported by research investigating consumer's attitudes to product placement in other media (Nebenzahl and Secunda, 2003). They also found that product placement was related favourably by 70% of people going to the cinema, extensively higher than ratings for pre-movie advertisements.

As attitudinal surveys and focus groups showed, questioned consumers generally find product placements to be acceptable. They even said that it would enhance the value of the media as well as the entertainment value (Nelson et al., 2004). On the other hand, some of the polled consumers, in most cases women from countries like the U. S., Austria, France and Singapore are not that positive about the acceptability of ethically-charged products. They claim that such things like guns, cigarettes or alcohol in

media would be targeted at children (Nelson et al., 2004). According to information from PRNewswire (2008) women do also play computer games with that kind of content like action games or shooter. So it depends on the attitude of the individual and the kind of placement used in the media.

In most cases when guns are placed in a computer game, it target adults (PRNewswire, 2008). In Germany for example, it is controlled by law what kind of games need to be censored or not. All this is the executed by an institution called USK. If a computer game is not checked by the USK, it is not coming out. And if it contains explicit violence and language, it may only be sold to adults which is from 18 years on.

2. 5 Brand Equity and Social Trust

Many customers buy needed goods by habit, are drawn to purchase by promotions, or simply do not pay much attention to which brand they buy (Walshe and Fearn, 2008). Therefore it is important for marketers to draw customers' attention, convince them to prefer their product blindly and make them to trust in the product.

Brand equity is depicted to be known by Yoo and Donthu (2002) to create customers' blind preference for a brand over its competing brands. Brand equity also increases the company's value by affecting the decision making in terms of merger and acquisition, stock market responses and the extendibility of a brand name. Brand equity measures most of which have long been used by marketers but which are only now being brought together as single intangible asset which in accounting terms, is brought forward at the start of the period and carried forward to the next (Ambler, 1997).

As long as the marketers don't do anything dreadful, traditional brand leaders will stay brand leaders. This can also be seen in the fact that the brand leaders in the 1920s were mostly the leaders 60 years later (Wurster, 1987). Brands with lower rankings normally hold their places.

Ambler (1997) claims that the awareness is cognitive, as is our knowledge of a brand's functional performance characteristics and price. Attitudes towards the brand are primarily affective. Most essentially, making use of regularly purchased brands is likely to be merely reinforced by advertising.

Believing in a product blindly requires people's trust in the company. To comprehend the importance of trust a definition of trust will now follow. 'Trust is one of the most important synthetic forces within society' (Simmel, 1950). Trust is needed to gain customers' blind preference for a brand. Customers that trust in company's products as well as in its established brands will buy these products in the future. Referring to this, for marketers it is an essential factor, that trust is built. This signifies that trust is controlled mentally. Ambler (1997) claims that as long marketers are engaged with what changes customer's behaviour, mental stages of the customer cannot be ignored.

While the customer perceives that a product represents a high profit, it is probable that the product will be bought in the future. Convincing a customer to consider another – the own – product to be better is very hard for a company to. If a product is favoured by the customer, then good arguments are needed by the marketer change the preferred product.

By looking at features like customization in computer games like in many car-racing games it can be seen, that product placement can be implanted differently. Even the design or the car's power can be adjusted. Very famous for that is for example the car racing game series Need for Speed. By implementing such features the player identifies himself with the brand, which in real life can results in an increased brand loyalty of the respective player. The virtually perceived quality then may have an impact on the gamer.

A possible indicator of future performance might be the perceived quality which has been identified as a key; possibly it is *the* key (Gale, 1994). However, as we do not know the correlation it is hard to forecast which seems probable between perceived quality and trust. In a computer game, the perceived quality in a racing game may lead the player to believe the car he is driving with is unbeatable, but it is questionable whether it can be trusted in that car to be equal in reality. These examples show that the options of marketers in the game segment are enormous.

Brands simplify the process of making decisions by acting as ' summarized knowledge'. A brand reduces the need of the customer to undertake the time-consuming activity of ' researching' products (Morrison and Firmstone 2000).

2. 6 Subliminal Messages in Media

As already mentioned above, subliminal messages also appeared in media or still do. Embedding material in print, audio or video messages so faintly that they are not consciously perceived is called subliminal advertising (Rogers

and Smith, 1993). Besides the attention, the capacity and the perception of in game advertising, there exists another theory. A lot of scientists say that subliminal messages do leave a mark on the brain. By using brain scanners, they found " we often record images we are not even aware of having seen" (Jha, 2007). Researchers from the University College of London proved on a psychological level that invisible subliminal images catch the brain's attention on a subconscious level. Using a method called fMRI, this study investigated if it is possible images which the customer is not aware of – but ones that reach the retina – have any impact on activity of the brain in the primary visual cortex, part of the occipital lobe (Smith, Lewis, 2007). The brain of the subjects did act in response to the object even when they did not know about having seen it (Smith, Lewis, 2007). At a basic level, people perceive messages differently when they are presented in the form of an advertisement than when they are written in the form of other types of communications as the same literal content can result in different consumer perceptions (Rotfeld, 2008). The research of the University College of London tackles the theory of William James, a pioneering American psychologist and philosopher (1842-1910), who once said: " We are conscious of what we attend to, and not conscious of what we do not attend to" (Subliminal Advertising Leaves Its Mark On The Brain, 2007). Within several tests scientists found out that there are situations where consciousness and attention don't accompany each other. Nevertheless, the research also indicated that when the brain doesn't have enough capacity to attend to an image, even subconsciously perceived images simply do not get realized (Subliminal Advertising Leaves Its Mark On The Brain, 2007).

According to Rogers and Smith (1993) many people in the public have heard of the term ' subliminal advertising' and know about its importance. They also claim that as the public understands the basics of the concept they believe it not only to be used by advertisers but also to be successful in influencing brand choice and purchase behaviour. Zanot (1984) examined 38 studies of American attitudes to advertising from the 1930s to the 1970s. He found that these became increasingly negative over time, perhaps reflecting increases in the volume of advertising, the growth of consumerism and rising concerns about the social responsibility of business.

According to studies conducted by Zanot, Pincus and Lamp (1983) after a survey of 209 adults in Washington, DC it was reported that 81% had heard of subliminal advertising and that respondents believe that subliminal advertising is widely and frequently used and that it is successfully in selling products. According to Rogers and Smith (1993), these results were confirmed in separate surveys conducted later. They also conducted an own study to prove whether the results are still valid or not, and it was proved again.

Heyder et al. (1992) compared attitudes across several East and Western Europe countries. They also found more positive attitudes in Britain than in France or West Germany, although Czecheslovakia emerged as the country best disposed to advertising. Attitudes were however less favourable in Poland, Hungary and East Germany.

2. 7 Effectiveness of Product Placement – Brand Recognition and Recall

Even though advertising through digital games appears widely in popular print media and industry magazines there are only a few empirical studies attempt to explain the effects of the ads that target game players.

Today the increasing brand awareness is amid the most ordinary goals advertisers have when product placement in games is used. Often it is assumed that the amount of people playing a game is equal to the number of people that actually pays attention to brand names turning up in the game. As a game player is busy playing the game then this is what occupies primary attention. It is important for advertisers to find out whether their brand name is being noticed at all since brand names displayed in a game are not the focal object of attention (Lee and Faber, 2007).

According to Lee and Faber (2007), " most cognitive psychologists believe that attention is the progress of allocating cognitive capacity to an object or task". Furthermore, researchers frequently focus their attention on two issues: on the one hand on the selective aspect on the other on the intensive aspect. Lee and Faber (2007) also claim that the intensity of attention relates to the amount of cognitive capacity. This intensity of attention is allocated to a particular task as well as the selectivity which refers to selective allocation of cognitive capacity to a certain task in preference to others. Beside the attention, there is also the capacity that should be thought of. As the player is attentive it might be that the brain does not have enough capacity to handle all the absorbed information.

To explain both, the selective and intensive aspects of attention, the limited-capacity model of attention was generated (Kahneman 1973). This model makes use of the assumption that one's entire attentional capacity is limited at any moment (Kahneman, 1973). Even with a strong attention, it might be difficult as there is no capacity to handle the mass of information. Kahneman (1973) claims that the entire capacity that is allocated to execute all actions can be split into two parts: on the one hand there is capacity devoted to the primary task and on the other hand there can be regarded spare capacity (Kahneman 1973; Lynch and Srull 1982).

According to scientists, spare capacity attends to secondary tasks and other surroundings. They also say that the capacity that is used to perform the primary task cannot be used for the secondary task as the more capacity is used for the primary task, the less is available for the person – in the context of this paper the gamer – to accomplish any secondary task.

Both, primary task capacity and spare capacity are central to understand the how in-game ads are working in terms of product placement on brand memory. According to Lee and Faber (2007), playing the game is the primary task that players perform. Processing advertisements embedded in the game is then the secondary task. As more attentional capacity is needed to apply oneself to playing the game, the less will be accessible for handling brand information.

Similar to industry measures, academics have relied seriously on memory-based measures. Examples for those can be aided and unaided recall, recognition, and sometimes on acceptance, reported usage behavior and

perceived ethical factors related to product placement (Gupta and Gould, 1997; Karrh, Firth, and Callison, 2001; Morton and Friedman, 2002; Russel. 2002; Sargent, 2001).

André Sonder, New Business Director of IGA Wordwide, subsidiary of Microsoft responsible for co-oper sations in matters of advertising, provides reasons for computer games as advertising medium. On one hand, he claims, that investigations showed that in particular men between the age of 18 and 34 have a six to seven times higher cognition while gaming than while watching primetime TV-Shows. In-game ads are for that reason very effective as the player is very concentrated and ads can be better recognized than in television. (Aichinger, 2006)

Displaying brand identifiers in the games may be comparable to product placements in TV shows or in films in various ways. However in other ways, playing games is in some way different compared with watching a movie or TV program, and the force and consequences of product placements may, as a result of that differ. The major difference may be in the scope of involvement and its effects on the resources concerning attention. While gamer interact with the game actively by managing and influencing what happens in the game a ' TV watcher' passively just ' watches' television or movies (Nicovich 2005). Compared with movie or TV product placements, noticing a brand and remembering it may be more difficult in the game context to a considerable degree. This might be due to its immersive nature (Chancy, Lin, and Chancy 2004; Nicovich 2005). To create a to some extent on-of-a-kind situation for in-games this distinction may also interact with other variables.

According to a study to investigate the effects of product placement in games on brand recall which was analyzed by Nelson (2002), it was found that 95% of the participants were able to recall the brand of the car they drove during the game spontaneously. Nevertheless, on the other side, recall declined to 0% after a five-month post-play period.

2. 8 Effectiveness of in-game ads – studies

There are a few studies around product placement concerning computer games. The British company Bunnyfoot offers the op