



ExchangeWire deep dive
The business of media, marketing and commerce

An In-Depth Look at In-Game Mobile Advertising

In association with



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INTRODUCTION

According to [App Annie's 2021 State of Mobile Report](#), mobile gaming grew 20% year over year in 2020 in both users and total consumer spend. But that jump has not yet translated to an increase in mobile marketers' media spend for 2021.

Many media professionals continue to hold stereotypical misconceptions of who mobile gamers are, the type of games that are popular, and which ad formats work best. This is particularly true among those advertisers who have never run in-game campaigns. Within this group, most are unaware of the scale and demographics of the global gaming audience or the revenue generated by the mobile gaming market.

According to [ironSource](#), out of media buyers who do not purchase in-app:

- 8% underestimate the number of gamers worldwide, which [Newzoo](#) reported in 2020 as over 2.6 billion
- 60% understate the average age of a gamer, which is 36
- 75% underestimate the revenue generated by the gaming market which in 2020 was \$76bn, according to [Newzoo](#).

What is in-game mobile advertising?

Mobile in-game advertising refers to ad placements within mobile games, which appear during gameplay. Formats include static and dynamic banners, video, and audio ads.

The ads that perform best and deliver the highest eCPMs are those that are integrated directly into the game in such a way that they become a part of the user experience. These seamless ad experiences can improve engagement and retention rates.

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understate the average age of a gamer

75%

underestimate the revenue generated by the gaming market

SOURCE: IRONSOURCE

Who can brands reach through in-game advertisements?

Gaming is no longer exclusively the abode of boys and young men; nowadays, there is no such thing as a ‘typical gamer’. The number of female and male gamers is very balanced. Additionally, gaming is no longer a niche pastime as it once was, and has gained traction with a broad demographic.

Although united by their interest in gaming, a mobile gamer could be anyone — from young, highly educated, affluent men with a wide range of pop culture and material interests, to older mothers across a wide socio-economic spectrum with high buying power. These personas are very different and cannot be engaged using a one-size fits all targeting strategy. In order to effectively reach and engage gamers, marketers must use data to understand how gamers consume digital media, as well as their in-app gaming interests. Doing so provides marketers with the insights needed to build better audience targeting strategies to inform their programmatic buying.

According to the latest [ironSource survey](#), three quarters (73%) of all mobile buyers — regardless of whether or not they buy in-game ads — underestimate the percentage of the gaming app audience that engage with rewarded video ads to unlock content. According to eMarketer, 74% of users would watch an ad in exchange for in-app rewards or currency, compared to an estimated 65% among most media buyers and 51% according to those who do not buy in-game ads.

74% OF USERS WOULD WATCH AN AD IN EXCHANGE FOR IN-APP REWARDS OR CURRENCY, COMPARED TO AN ESTIMATED 65% AMONG MOST MEDIA BUYERS AND 51% ACCORDING TO THOSE WHO DO NOT BUY IN-GAME ADS.

SOURCE: EMARKETER

MYTHS



MYTH #1:

Advertising intrudes on the user experience

Contrary to what many believe, mobile gamers are highly receptive to in-game advertising because of the clear value exchange. For example, viewing in-game ads often provide users with free-play options, extra lives, or other rewards. Nearly three quarters (72%) of mobile gamers say they understand the role advertising plays in mobile games and even actively engage with ads, according to [Tapjoy](#).

In order to maintain these levels of acceptance and engagement, mobile game developers and advertisers must continually be mindful of the user experience, create minimally disruptive ads, and strive to maintain a “player-first” philosophy. This means thinking creatively about how to incorporate advertising within the game experience.



MYTH #2:

Gaming environments aren't brand safe

In any programmatic environment, brands are cautious when it comes to the content their ads appear alongside. Over the years, video games have acquired a somewhat unsavoury reputation — mostly due to negative media coverage of the effects of violent games. This view has spilled over into mobile in-game advertising and there is a misguided perception that the channel is inherently unsafe for brands.

In reality, mobile in-game advertising — and especially free-to-play apps — are often highly brand safe environments. Compared to video games, the content is much lighter and rarely user-generated, which significantly reduces brand safety risks. To make the most of in-game advertising, marketers should apply the same inventory quality measures as they do to other formats and ensure they are working with partners who thoroughly vet the inventory.

NEARLY THREE QUARTERS (72%) OF MOBILE GAMERS SAY THEY UNDERSTAND THE ROLE ADVERTISING PLAYS IN MOBILE GAMES AND EVEN ACTIVELY ENGAGE WITH ADS

SOURCE: TAPJOY

MYTHS



MYTH #3:

Gaming serves a niche audience

The misconception that gaming audiences are only young males is perhaps one of the most persistent myths, and likely the biggest contributing factor behind the lag between mobile in-game usage and brand ad spend. Certain types of mobile games, such as puzzles, attract more female players compared to male. Furthermore, they're not necessarily always young — [eMarketer](#) found that more people over the age of 45 started mobile gaming in 2020 than any other age group.

The truth about mobile gaming audiences is that they are extremely diverse, and depend on the type of game that's being played. As such, advertisers must research the wider gaming ecosystem and select the games that attract their target audiences.



MYTH #4:

It's impossible to measure success

Mobile in-game advertising is measurable, and this is actually one of its main benefits over other channels. Many game developers allow advertisers to integrate third-party measurement tools, such as software development kits (SDKs) or the IAB's Open Measurement SDK. Both options enable the passing of performance data to many of the major measurement and analytics tools.

Implementing solid measurement capabilities for in-game advertising is important not only for measuring success, but also for monitoring invalid traffic to prevent ad spend from being wasted on non-human traffic.

MORE PEOPLE OVER THE AGE OF 45 STARTED MOBILE GAMING IN 2020 THAN ANY OTHER AGE GROUP

SOURCE: EMARKETER

TRENDS



Returning to pre-COVID behaviours: Over the past year, as we saw different restrictions imposed and lifted, it was inevitable that fatigue would set in – Zoom fatigue, homemade sourdough bread fatigue, and even Netflix fatigue. In their Q3 2020 results, Netflix actually fell short on their predicted subscriber growth, indicating that consumer behaviour is beginning to return to that of pre-lockdown, and possibly that there is such a thing as too much TV. The old normal is kicking in again – yet gaming is still going strong.



Acquisitions and consolidation: Advertising technology companies must show they can provide value in a world without the IDFA. Those that can are being acquired, and the market is red hot with consolidations of companies expanding and vertically aligning between apps, services, and advertising. The increased pressures of privacy changes are adding to the pace of acquisitions, as these companies look to circle the wagons around their user bases and content offerings.



Privacy: Apple's and Google's infrastructure and international and state laws are changing; it's now harder to measure your marketing efforts across channels.



Re-focussing on value: Consumers will have options when it comes to their ad experiences – they realise there is value in their identity, and they want either to be rewarded for it, or to opt-out. With a new-found sense of value, users will increasingly engage with content that delivers true value.



In-game out of home: The power of in-game advertising, where ads are served inside the virtual world of the game, is unparalleled. Virtual billboards, bus stations, and shops within games are primed to display real advertising to an engaged audience. It is out of home advertising, but in-game. The adverts look exactly as they would in the real world, like a banner around a football pitch, directly in view. The nature of gaming generates more impactful experiences because the ads blend into the scenery and become part of the digital world. This makes them non-intrusive but impossible to ignore.

CONSUMERS WILL HAVE OPTIONS WHEN IT COMES TO THEIR AD EXPERIENCES – THEY REALISE THERE IS VALUE IN THEIR IDENTITY, AND THEY WANT EITHER TO BE REWARDED FOR IT, OR TO OPT-OUT

THE BENEFITS OF MOBILE GAME ADVERTISING FOR DEVELOPERS



1. REVENUE GENERATION

Most mobile gamers don't pay to play, making advertising a hugely popular monetisation strategy.



2. INCREASE IN-APP PURCHASES

Coupled with the proper mobile game strategy, in-game ads can boost in-app purchases. Ad units that work as a part of your in-game economy, like rewarded video ads, give users a taste of the in-app purchases (IAPs) available and show them the value of in-game goods, making them more likely to make a purchase.



3. ENHANCED USER EXPERIENCE

Ad units that are incorporated into your game loop create the best user experience. These can take the form of offering users free rewards or extra lives in exchange for watching or interacting with ads at specific points in the game.



4. BOOST ENGAGEMENT AND RETENTION

Mobile gaming ads can act as a retention tool, because rewarding users encourages them to come back. Ads can also be used to boost engagement by prompting users to engage with a rewarded ad unit that, for example, gives them the exact number of coins they need to continue playing the game.

THE BENEFITS OF MOBILE GAME ADVERTISING FOR ADVERTISERS



1. BRAND SAFETY

Mobile gaming is a very brand-safe channel because it does not contain user-generated content. Careful genre selection and whitelists prevent ads appearing in inappropriate gaming environments.



2. ENGAGEMENT

Research by TapJoy reveals that 64% of consumers are more likely to engage with a retail in-app rewarded ad than a social media sponsored post. The added value of in-game rewards on top of the ad transaction makes mobile gamers feel like their money is going further. Additionally, these consumers are open to making purchases: 70% of those surveyed were interested in trying a new subscription product or service.



3. INVOLVEMENT

Mobile game ads provide a greater sense of experience compared to other mobile ads. Users are actively involved in gameplay, in a state of leisure — an ideal environment to capture their attention.



4. MEASUREMENT AND ROI

In-game ads depend on user interaction and direct engagement. This makes it far easier for advertisers to track key metrics like reach, engagement, and completion rate. In-game ads make it possible for brands to engage with consumers through very focused, targeted promotional campaigns that incur lower upfront expenses and generate higher ROI.

For brands, the key to success lies in recognising the importance of meaningful in-game interactions that are appropriate to the unique context of the game, and focusing on opportunities to enhance human connection and fuel creativity.



5. REACH

With mobile gaming audiences on course to hit **3.2 billion by the end of 2023**, usage skyrocketing, and the sector's ability to target with integrated brand placements (at a fraction of the price of other forms of advertising), in-game ads provide brands with a highly cost-effective way to achieve both company and sales goals.



6. DATA

The mobile gaming industry generates a rich trove of data, which enables marketers to target precisely based on age, gender, geo, device, language, and interest segments in order to reach relevant audiences and maximise return on investment (ROI). Moreover, with real-time data and analytics, advertisers can optimise on the fly for even better performance.



7. VIEWABILITY

There is an increased interest in 'in-play' advertising, where ads run within the game during play rather than during breaks. Ad tech companies have developed innovative solutions to enable viewability measurement even in fast-paced gameplay. With this technology, marketers can even determine the difference in the number of head-on or side views of ads and complete and partial views. This level of measurement, combined with extensive targeting capabilities, ad fraud protection, and brand safety measurements, makes in-game ads more attractive for brands than ever before.

**WITH REAL-TIME DATA AND ANALYTICS,
ADVERTISERS CAN OPTIMISE ON THE FLY
FOR EVEN BETTER PERFORMANCE**

PUBMATIC'S APPROACH:

With a diverse and engaged audience that is receptive to ads—as well as continually advancing technology to monitor investments—advertisers have very little to lose in working mobile gaming into their strategies.

Here are some things that Publishers and Advertisers should think about when adding in-game to their media mix or monetising in-game inventory:

App design & gamers' experience

The brands and app developers that will succeed with in-game advertising are the ones that make sure they provide an authentic experience for gamers. The fundamental difference here is understanding whether your audience is passive versus active. As a publisher, the last thing you want to do is interrupt the user experience that you have worked so hard to build. As an advertiser, you want to ensure that your ad makes sense in the context of the game, which is where using the right ad formats comes into play.

Formats

Video is the advertisement format that performs best for in-game advertising, as it can be used as a reward for players, which in turn raises brand affinity. Rewarded video ads are engaging, popular formats that offer consumers a bonus for choosing to watch them, such as extra lives, points and virtual goods. They often command high average eCPMs and are an attractive format for advertisers as well as publishers, because they essentially allow them to sponsor a special in-game moment.

Work with your ad tech partners

Buyers should assess their ad tech partners and work with full-stack monetisation platforms that include mobile app header bidding solutions. If you are looking for the most direct path to the largest source of gaming inventory, this kind of partner is integral to your strategy.

App developers should work with the right ad tech partners to help them update and test their app monetisation SDKs regularly, as this will help achieve better yield.

BUYERS SHOULD ASSESS THEIR AD TECH PARTNERS AND WORK WITH FULL-STACK MONETISATION PLATFORMS THAT INCLUDE MOBILE APP HEADER BIDDING SOLUTIONS

PREPARE FOR THE NEW MOBILE IDENTITY

Publishers:

- Pass as many parameters as possible when bidding. DSPs are looking at new signals, including SKAdNetwork and Identifier for Vendors (IDFV). Check that the following parameters are populated in the ad requests: app bundle, app store URL, user gender and age, keywords, location (country, postal code, and GPS-based lat/long) and device info (OS, make, and model). Having this information accurately included in the ad request makes your inventory more desirable through non-IDFA signals.
- Update and test your app monetisation SDKs regularly. App developers are in the process of updating all their monetisation SDKs so that attribution can be done in the absence of IDFA. Keeping your app monetisation SDKs up to date should make for a better yield.

Advertisers:

- Work with your ad tech partners. Get an understanding of the in-game space, and keep on top of new developments from mobile attribution companies.
- Buy through Private Marketplaces (PMPs). These use other dimensions, such as viewability (using the IAB's Open Measurement SDK), to bundle high-quality inventory. Brand campaigns are very suitable for PMP deals.
- Capitalise on any first-party data from apps. Apps that have the scale (apps that have large audience segments sizes) and ability to package and activate audiences should be able to leverage the data they collect on their users. This should be privacy-compliant and can be offered to buyers as an alternative to IDFA targeting.
- Use contextual targeting. Continue targeting audiences based on verticals, page content, etc.

WORK WITH YOUR AD TECH PARTNERS. GET AN UNDERSTANDING OF THE IN-GAME SPACE, AND KEEP ON TOP OF NEW DEVELOPMENTS

HOW ARE PUBLISHERS AND ADVERTISERS CHANGING THEIR APPROACH TO MOBILE IN-GAME ADVERTISING, AND WHAT SHOULD THE INDUSTRY EXPECT TO SEE OVER THE NEXT 18 MONTHS?

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As a publisher, Gameloft is really focused on user experience and maintaining an uninterrupted user flow, which is why we believe it is crucial to have an innovative approach on how to monetise on a higher scale. One approach to achieving this is the non-fungible token (NFT), which consists of publishers letting players buy digital assets recorded on a blockchain. This is a massive area where I believe many publishers will be tapping in the next 18 months.

Another approach is playable media activation, where unique ad functionality can deliver more memorable experiences via immersive, rich media formats that remain in-view longer than traditional formats. According to the IAB Playbook report 71% of top advertisers find playable ads to be more effective for their brand in comparison to any display static strategy. Playable media demand via programmatic has risen significantly YoY, and brands are drifting away from regular “awareness” strategies and showing more interest in a gamified approach. As these formats are fun to interact with and less intrusive, I believe that demand for them will continue to increase.

“Freemium” services, which allow users to enjoy an app’s offering for free in exchange for viewing ads, are becoming increasingly popular with consumers, creating a huge opportunity for advertisers. Whilst the purpose of the model is to convince users of the value of the app’s offering, I believe that the demand for the free-to-play offerings will hold strong, as they are an easier way of acquiring users.



SASHA IDJUSKI

Programmatic Operations EMEA at Gameloft

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We expect “in game” to continue growing in value. We have many ongoing conversations with brands to illustrate the value of reaching gamers. The next 18 months is about helping brands uncover this value, which can all be done programmatically, so having the normal mechanical route to market is a huge advantage.

However, for a large proportion of PC games, advertising “in game” is not an option. Game manufacturers, as well as gamers, will not tolerate advertising in a game for a variety of reasons (disruptive or out of context/environment). That said, the moments between gameplay, on companion apps like Overwolf, offer huge opportunities to advertisers, as they are often the only way to reach these core gamers “in game”.



ROB BRETT

Programmatic Director at Network N

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In-game advertising has traditionally been very Direct Response led, trying to push audiences outside of the environment to complete an action like – Install and App. With games offering more premium and high impact formats, we should start to see a much more immersive feel to how brands communicate to audiences within games, hitting more brand KPIs rather than just performance.

This should lead to more partnership style opportunities opening up for advertisers, allowing them to integrate more organically within games and apps. Similar to how brands partner with web based publishers to have take-overs and more content led formats, I have no doubt that Apps will offer similar advertising packages to brands in the near future. Benefits for this type of advertising will be brand advocacy and the opportunity for brands to deliver multiple messages to audiences in-app environments they are comfortable in.



DANIEL SICHEL

European Performance Lead at Mindshare

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ABOUT PUBMATIC

PubMatic, Inc. (Nasdaq: PUBM) delivers superior revenue to publishers by being a sell-side platform of choice for agencies and advertisers. The PubMatic platform empowers independent app developers and publishers to maximise their digital advertising monetisation while enabling advertisers to increase ROI by reaching and engaging their target audiences in brand-safe, premium environments across ad formats and devices. Since 2006, PubMatic has created an efficient, global infrastructure and remains at the forefront of programmatic innovation. PubMatic operates 14 offices and eight data centers worldwide.

Learn more: www.pubmatic.com

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