



Activision and Nielsen Entertainment Release Results of Pioneering Research on In-Game Advertising

Study Shows that Combination of Product Integration and Pervasiveness Leads to High Degree of Persuasion Participants say Presence of Ads Increases Enjoyment of Games

SANTA MONICA, Calif., Dec 05, 2005 /PRNewswire-FirstCall via COMTEX News Network/ -- Activision, Inc. (Nasdaq: ATVI) and Nielsen Entertainment today released the results of a pioneering study on the effectiveness of in-game advertising that incorporates different levels of product integration. The research is the fourth component of an ongoing joint initiative between the two companies to establish standardized tools to measure the value of in-game ads.

The study confirms earlier findings that product integration helps to drive awareness and recall, but also uncovers a new variable, pervasiveness, which contributes to driving brand awareness as well. Most important, the research shows that the combination of product integration and pervasiveness results in a high degree of persuasion -- the willingness of consumers to change their opinions of a brand and/or recommend it to others -- and establishes that video games drive persuasion.

After studying multiple examples of integration and pervasiveness, and incorporating the element of persuasion, the researchers created a new standard for gauging the value of in-game ads based on two distinct levels.

Research results also found that, contrary to the assumption that highly pervasive ads would detract from the game play and frustrate gamers, a majority of study participants said that when the product is relevant to the game, advertising enhances the experience. Underscoring relevance, the study revealed that the vast majority of gamers who recalled a product in a game felt it fit the game they were playing. Moreover, a much higher percentage of gamers changed their opinion of the product positively versus negatively after having played the game.

"All media can claim to drive some level of awareness, but until now, no other media type has been able to reliably prove its ability to change consumer opinion," said Robert A. Kotick, Chairman and Chief Executive Officer of Activision. "As this study shows, video games are a powerful ad delivery medium. But the challenge for the industry has been to develop a pervasive unit of measurement that will enable advertisers to accurately gauge the effectiveness of in-game ads. With this research, we have taken a major step in that direction."

Said Andy Wing, President and CEO Nielsen Entertainment, "Measurement drives efficiency in any business exchange; especially in advertising. Therefore, as video game play successfully emerges to define a new paradigm for targeted interaction with consumers, the need to establish accurate measures becomes even more critical; for both advertisers, who have finally found a pipeline into the 18-34 male sweet spot, and the video game publishers sitting in pole position to monetize that audience. With 18-34 year old male audience premiums of 6-7 times the average prime time television CPM, it's easy to see why measurement has become such a huge priority for the industry."

Michael Dowling, General Manager of Nielsen Interactive Entertainment, a division of Nielsen Entertainment said, "Video games provide a relevant context for gamers to virtually experience products. This unique unit of exposure serves to reinforce and enhance a brand's key selling proposition. Moreover, video games can provide actionable feedback to advertisers. Gamers like to customize their game play experience based on their personal preferences -- so, the color of the Jeep a gamer chooses says a lot about how they might act in the real world. This is invaluable information for advertisers."

In addition, gamers' receptivity to in-game advertising continues to be positive, and many of the study's participants claimed that the ads actually increased their enjoyment of the game. Moreover, when gamers recalled a product or ad in the game, a large majority said the product was a good 'fit,' underscoring its relevance and authenticity.

Given the increasingly critical lens through which advertisers and media planners view advertising effectiveness -- and the lack of reliable data regarding product integration -- Nielsen Entertainment and Activision went to great lengths to ensure the validity of their methodology. To that end, they tested in-game and other advertising through highly controlled experiments where they could maximize the reliability of the findings.

Study Focuses on Effectiveness of In-Game Ads at Various Levels of Integration

One of the principal goals of the new research has been to demonstrate the ability of video games to build and enhance brand

awareness, association and appeal by conducting an in-depth evaluation of various levels of advertising integration within games.

The Activision/Nielsen Entertainment study also sought to determine the impact of in-game product placement versus traditional advertising and product placement in other media, such as television.

The study was conducted among 1350 active male gamers ages 13 to 44. Each participant was randomly assigned to one of nine test or control cells.

Respondents who were assigned to four game test cells, featuring the games MTX Motortrax, Tony Hawk's Underground 2, Need For Speed Underground 2 and NHL 2K6, were then exposed to brands and products at various levels of integration and pervasiveness within each game. Participants assigned to two game control cells played the same games without any products integrated or placed in the game.

Moreover, three other groups of respondents were assigned to television test cells that incorporated traditional television commercials, product placements and no advertising, respectively.

Research Establishes New Structure of Integration

Activision and Nielsen Entertainment initially studied various examples of product integration within video games. During the course of their research, however, they noticed that positive movement of the marketing metrics did not always correspond to increased integration.

"At that point, we let the data speak for itself," said Michael Dowling. "To do this, we correlated brand pervasiveness, at each increasing level of integration, with key marketing metrics like awareness, recommendation and ratings. This data-driven, empirically-based analysis revealed a powerful new structure for brand integration."

With these findings, Activision and Nielsen Entertainment factored in the elements of pervasiveness and persuasion to establish a new standard for assessing the effectiveness of in-game ads based on two distinct levels of integration:

- * Unique Object and Game Elements -- Unique brand integration that incorporates in-game interstitials, video footage, audio cues and branded storyline elements that serve as goals of the game.
- * Brand Presence -- Billboards, banners, bus shelter signs, hanging signs and 3D objects, including beverage machines, store fronts, buses with signage and blimps.

Ongoing Initiative Provides Unique Insight into In-Game Advertising

The current in-game advertising pervasiveness study is the fourth research component of an ongoing joint initiative to develop standardized tools to measure the value of in-game ads. The process began in early 2004, with a comprehensive research survey of gamer demographics and behavior in U.S. television households. Among the findings was the fact that video games are eroding TV viewership among males 13 to 34 -- the core group of gamers.

In October of that year, Activision and Nielsen Entertainment released the results of a groundbreaking study, which established that in-game advertising favorably affects brand awareness, recall, interest and other key metrics. The research also found that, in general, gamers perceive in-game advertising positively and believe it makes games more realistic.

A third study on video game reach and frequency, conducted in October 2004, determined the average lifespan of top selling games during the past year.

Study Methodology

The study was conducted in eight cities across the country. Respondents played one of five videogames -- depending on random cell assignments -- for a minimum of 20 minutes, after which time they answered survey questions about awareness, interest and recall of brands integrated into the games.

In addition, the 20 minute gameplay sessions were recorded and coded to determine which advertising was seen, how many times each was seen and for what duration. The tapes also were coded to measure what products gamers interacted with, how many times and for how long. Finally, a series of "man on the street" interviews were conducted to further flesh out gamer perceptions of in-game advertising.

About Nielsen Entertainment

Through custom research, consulting and the world's most comprehensive network of entertainment measurement systems, Nielsen Entertainment delivers Actionable Entertainment Intelligence to clients engaged in the business of selling entertainment and trading in the marketplace of our popular culture.

Nielsen Entertainment's AEI products give clients unrivaled perspective from which to steer business decisions, providing the measure and the motivation in one package; comparing what the consumer says they do and what they actually do, in any given environment including film, television, music, books, and interactive media.

Nielsen Entertainment is comprised of the following businesses: National Research Group (NRG), EDI and EDI International, Television Services, SoundScan, Broadcast Data Systems (BDS), Music Control, VideoScan, Market Navigator, BookScan, BookData, and Interactive Entertainment, and utilizes the full portfolio of sister companies including Nielsen Media Research (television ratings) and Nielsen Net Ratings (internet usage) to deliver a whole media point of view. Nielsen Entertainment's current slate of Benchmark Reports on the Digital Home, Mobile Entertainment and the Active Gamer can be purchased through <http://www.nielsenstore.com>. Nielsen Entertainment is part of VNU (<http://www.vnu.com>), a global leader in information services for the media and entertainment industries.

About Activision

Headquartered in Santa Monica, California, Activision, Inc. is a leading worldwide developer, publisher and distributor of interactive entertainment and leisure products. Founded in 1979, Activision posted net revenues of \$1.4 billion for the fiscal year ended March 31, 2005.

Activision maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Italy, Japan, Australia, Scandinavia, Spain and the Netherlands. More information about Activision and its products can be found on the company's World Wide Web site, which is located at <http://www.activision.com>.

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