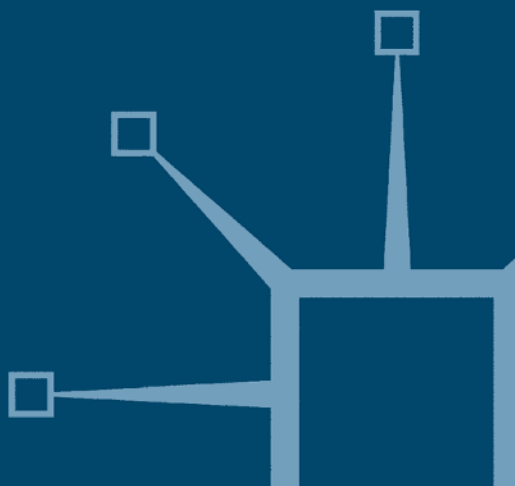


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BRANDS & GAMING

The computer gaming phenomenon and its impact
on brands and businesses

David Nichols, Tom Farrand, Tom Rowley
and Matt Avery

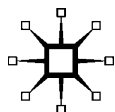


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Acknowledgments

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To Lara without whom none of this
would have been possible.

Are you ready to play?

The global gaming phenomenon

Saturday night, KL

It's a clammy Saturday night in downtown Kuala Lumpur and you're looking for the action. You walk past a strip-lit bar where couples are sharing a few sad beers. Uh-huh. Then a restaurant or two, full of overdressed suburban hicks and their extended families. No way. The next street looks more promising, but the bouncers outside the clubs look more likely to drag you in than turn you away. Then you notice a steady drift of people towards a mall on the road to the Chinese market. And something tells you that not all of these folks are late night shoppers.

Six floors of Asian retail beckon as the teeming escalator swallows you up and disgorges you at level three. You push past stalls dangling mobile phones like salami in an Italian deli, whose proprietors can banter with six or seven customers all at the same time. On you go, past tiny bench-chair-lamp outlets where men with tiny screwdrivers and soldering irons are fiddling with circuit boards and sim cards, hot-wiring phones and PDAs (personal digital assistants).

The frenetic commerce is starting to make you feel dizzy, but it's nothing compared to the clamor and fervor of what comes next: the gaming area. There is no formal entrance; you simply stumble into a space filled with line after line of hulking machines, blinking and throbbing to the commands of swarms of young people. Most of the din is being generated by the shooting games, where teenagers holding futuristic guns are picking off lolloping video apparitions with a practiced ease suggesting hours, maybe weeks, of practice. On closer inspection, you notice that each shooter is assisted by a friend, calmly pointing out the next target. There's plenty of

teamwork here. These are not sorry, anti-social loners; these are clearly hip young people having a great night out with their friends.

Push on over to the second line of machines and there's an altogether different experience. These are the dancing games: lines of one-meter-square, multi-colored, *Saturday Night Fever*-style dance floors, attached to speakers pumping out disco music. In front of each one is a screen covered in wild hieroglyphics that tell the player the pattern to follow with his feet. You might ask what would possess a 20-year-old guy in designer shirt and shades to prance about doing bad disco dancing on a machine, in full view of his mates and groups of girls? The answer is simply that nobody here is compromising their cool. This is normal behavior – a hugely social pastime, with friends comparing moves, grooving to the music, gyrating to the beat of the gaudy arcade box.

A further sweep of the area takes you past flight simulators jolting around on their pistons, shaking the fillings out of their pilots' teeth. There are also racing games aplenty: yards of Recaro seats stretched out into the darkness, propelling eager teams around Daytona, NASCAR tracks, and strange dystopian cities set up for joy-riding alone.

But all that is only the warm-up. Because the real action is taking place further on. Beyond the ranks of gaming machines you find the real cutting edge of the modern entertainment industry – the LAN arena. This huge, dimly lit cavern is filled with more than a thousand PCs, each with a trendily-dressed young gamer, all with headphones clamped to their heads, hunched over keyboard and mouse, frantically clicking and tapping. Some have small groups of friends behind them, egging them on; others are playing solo. As you saunter past, you can glimpse the whirling, spitting, flaring action that has them glued to the screens in front of them. What is happening here is not immediately obvious to the uninitiated. It might appear that these gamers are wrapped up in their own little fantasy worlds, oblivious to everyone around them. In fact, they're not. Most of them are playing games as part of teams composed of several others in the room. The LAN – or local area network – means that all the computers you see are linked together. Gamers pitch up, pay an hourly fee, then hit a computer and choose a game they want to play. They might decide to become an engineer in a team of World War II special forces attempting to take a

German machinegun post. They might be racing against each other in *ToCA*, a touring car game. Perhaps as many as a hundred people are blasting away at each other in *Counter-Strike* – a type of game known as a “first-person shooter” (FPS). And another 200 or more people in the arena might start roaming the Nek Forest or the Thundering Steppes in the company of a band of extraordinary creatures (each representing another player in the room) as they explore *EverQuest II*’s fantasy world of Norrath – in the company of a further 100,000 gamers across the globe. In fact, there are a great many games being played back and forth across the network all at the same time, each with its own rhythm of triumph and defeat, exhilaration and disappointment. One moment, a cluster of people in one corner will cheer and punch the air to celebrate a victory; others will kick their chairs back from the screen and slap their desks in disgust. Wherever you look, there are high fives and backslapping, new friendships being formed, chat-up lines being tested, and old acquaintances being renewed.

In KL this evening, this is where it’s at. If you’re looking to hang out with old buddies, or go somewhere to make new friends, if you’re seeking thrills and action, if you want a challenge, if you want to find out how you stack up against your peers, then the LAN arena is the place to be. The bars, the clubs, the music venues, and multiplexes are for yesterday’s boys and girls. Here you can almost taste the adrenaline in the air. This is where it’s happening all right.

But despite all the cheers and flashing lights, the slogans and explosions, there is one key feature of the modern world that is missing from both the LAN arena and the gaming area. There are no brands here. For a marketer it is an extraordinary experience. You are standing in the middle of hordes of affluent but hard-to-reach young consumers and you are surrounded by hi-tech media spaces on every side and yet there is not a brand name to be seen. ... No, that’s not quite true. There is one: a Ferrari-branded, Italian street-driving game. So what is this? A questionable brand extension perhaps? Or a smart seeding strategy that is targeting tomorrow’s billionaire bankers? The apparent total lack of communications strategy makes it very hard to tell.

Scenes like this one in KL are repeated right across Asia – from Chiang Mai to Shanghai, from Pusan to Kyoto – on any night of the week. But this is not simply an Asian phenomenon. It is just the most public manifestation of a mega-trend that is sweeping the

entire world: the swift and irresistible rise of gaming at the very heart of global entertainment culture.

The gaming phenomenon

In many countries, newspapers have been happy to dismiss gaming as nothing more than a teenage fad, the preserve of solitary pubescent boys with stay-at-home acne and twitchy thumbs. But gaming today is about far more than teens and arcades and *Pacman* and *Pong*. Gaming means a silver fox in Fort Worth playing Microsoft *Combat Flight Simulator* online against a young engineering undergrad in Kathmandu. It's a sultry Parisian receptionist whiling away a quiet ten minutes playing a game of *Hearts* against her counterparts in Brisbane, Frankfurt, Shanghai, and Cape Town. It's a stressed-out executive pummeling his PSP (PlayStation Portable) on the bullet train out of Tokyo late on Friday night. It's dedicated cyber athletes competing for million-dollar prize money in global tournaments, or representing their country against the hottest talent from 70 other nations at the World Cyber Games. Because, while much of the media held its nose and looked away, gamers have been quietly creating a whole new industry on a massive global scale.

We have come to expect that the next "Big Thing" will always be announced in the manner of the Apocalypse, with fanfares and flypasts, skydivers, soccer stars, and celebrities in stretches. But video and computer gaming has never indulged itself in the kind of high-kicking razzle-dazzle so beloved of the music and film industries. Instead, it has crept up on everyone as insidiously as a high tide edging its way up the embankment of a river. The column inches in the press might have grown slightly over the past few years and months, but this bears no relation to the phenomenon they are reporting. Because although the gaming tide has yet to burst its banks, it has already flooded the basements of our culture and is now seeping deep into the fabric of our social life.

CEO TEASER

Which is bigger – the music, film, or computer gaming industries?

So exactly how big is computer and video gaming? As big as the \$10 billion film industry? Think bigger. The \$15 billion music industry? Bigger still. The \$20 billion home video industry? Even bigger than that. With a market value of over \$25 billion, gaming now outstrips the lot of them. According to analysts at PricewaterhouseCoopers, world-wide game industry revenue is set to rocket to \$54.6 billion in 2009.

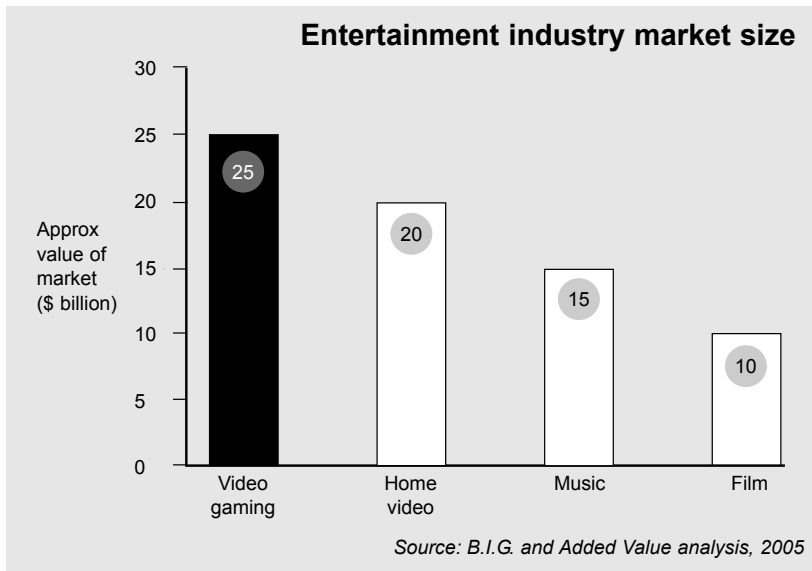
Let's repeat that. Gaming is now bigger than music, film, and video. Kidman and Cruise? Jagger and Richards? These guys are midgets when you set them next to Lara Croft and *The Sims*. When *Halo 2* was launched in November 2004, it took over \$100 million on its first day of release. The stunning success of this first-person shooter that runs on Microsoft's Xbox prompted Bill Gates to boast that it was:

"an opening day that's greater than any motion picture has ever had in history."

And he had a point. At the time the record box office take for a movie on its opening day was "just" \$40.4 million, achieved by *Spider-Man 2*.

What's more, since the turn of the millennium, computer gaming has been enjoying double-digit growth at the global level, becoming a

Figure 1.1



true mass market mainstream business; while in the same period, the film and music industries have been in decline or, at best, stagnant. Indeed, as gaming commands an increasing share of the entertainment market, it is helping to drive the move away from TV as well, especially among younger people. At the same time, the growth of new channels, especially recent developments in online gaming, has helped to create completely new social structures and cultural icons. It seems likely that, in the not too distant future, gamers, game characters, and game developers will be acknowledged as the new film stars, directors, and power players in the global entertainment industry.

Statistics struggle to capture a sea change such as this. Our research suggests that in some parts of Europe as many as 83 percent of people play some form of computer or video game two or three times a week. If that is indeed the case, it would put gaming on a par with eating, drinking, and watching TV as *the* human activities of choice ... 83 percent? It sounds preposterous, doesn't it?

But take a quick look at the businesses behind gaming and things start to add up. Look at Sony. Everyone remembers them as the guys who coined it on the Walkman. And since then, of course, they've added digital cameras, flat screen TVs, mobile phones, MP3 players and God knows what else to their portfolio. But do you know what their biggest seller is today? It's PlayStation. And it's not just their biggest seller; it happens to be bigger than all the divisions of the company combined. What about Electronic Arts? Heard of them? They're not just the publisher of some of the top games titles, like *Medal of Honor*, *FIFA*, and *Need For Speed*; according to the *Financial Times* they are also one of the top 400 companies in the world today, with a market value of \$16 billion. Not bad for a young company in an industry of whose very existence most people are quite unaware.

The strange thing is how few other businesses have cottoned on to what is happening here. Perhaps even more staggering than the sheer size of the gaming industry is the extent to which its potential as a new marketing and advertising space has been ignored. A handful of the world's top brands – like McDonald's, Nike, and Intel – have been brave enough to fiddle with the joystick (somewhat tentatively, it must be said), but the vast majority of brand owners are totally unaware of the extraordinary opportunity that is just about to slip out of their grasp.

Table 1.1

The *Financial Times* Global Top 500, 2005

Rank	Company	Market value (\$m)	Turnover (\$m)
145	Sony	36,986.6	69,941.7
383	Electronic Arts	15,944.9	2,957.1

The scale of the opportunity

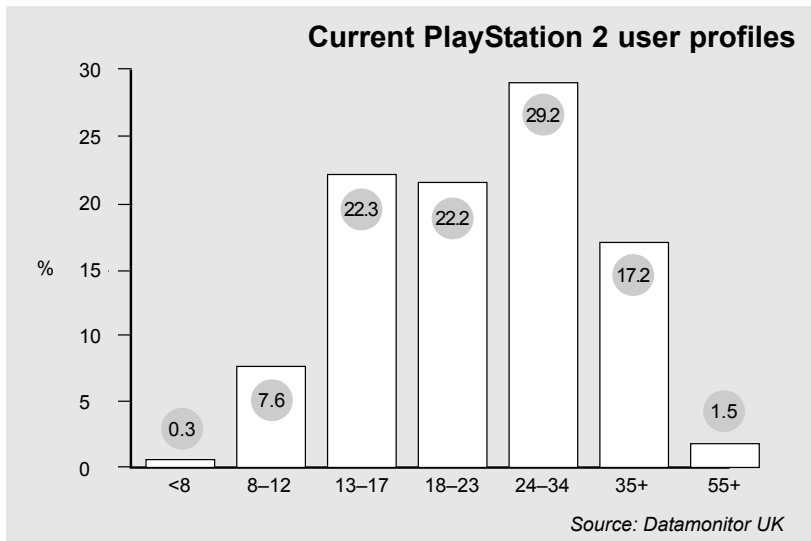
To get an idea of the scale of this opportunity, think back to a warm New York night 60-odd years ago. On the evening of 1 July 1941, a few tech-savvy baseball fans would have been sitting round their new-fangled TV sets watching the Dodgers take on the Philadelphia Phillies, when the broadcast was interrupted by the face of a black Bulova watch. Its second hand ticked through a full minute and then it disappeared and the baseball resumed. Most of the audience probably didn't realize what the hell was going on, but they had in fact just witnessed the first ever TV commercial. It was the start of an era of unprecedented success for those brands that saw the potential of this new medium and seized the day. Think of P&G and Unilever, think of Coke and Pepsi; in fact, think of any household name. It was TV advertising that propelled brands like these into a position of marketing gods to three generations of consumers, brands that reigned supreme for over 60 years. Those brands that didn't spot what TV could do are, of course, long gone – forgotten footnotes in the unread tome of business history.

It is not fanciful to suggest that today we are at a similar tipping point for the communications industry. Any advertiser will tell you that the days of the 30-second TV spot are numbered – its ability to deliver mass audiences shattered by channel proliferation and its very existence threatened by the rise of the cursed personal video recorder (PVR), which allows ever increasing numbers of viewers to skip the ad breaks altogether. But gaming has the ability to deliver huge audiences on a global scale – and we are certainly not just

talking teens here, either. Look at the ownership profile of the Sony PlayStation 2, the most popular gaming console. You might assume that this would be heavily skewed to teenagers, but not a bit of it. With the console retailing at around \$300 to \$400 for most of its time in stores and games costing around \$50 a title, these are not things that ordinary teenagers can pick up with their pocket money; they would have to be significant parental purchases. Indeed, the figures show that 29.2 percent of PlayStation 2s are used by the 24–34 age group and there is even a significant proportion in the 35+ age bracket. That means half of the user base of the world's most popular games-dedicated console is made up of people over 24 years old. Add to that the fact that female gamers, traditionally accounting for just a fraction of the gaming population, now make up one of the fastest growing audiences in the category and you have a truly powerful, far-reaching new media channel whose potential it is sheer folly to ignore.

The rules for this new space are quite unlike any that the communications industry has ever played by before. For sure, gamers represent a significant new group of consumers for businesses to target, and there are many exciting new opportunities opening up for brands of

Figure 1.2



all types to offer lifestyle products, food, drink, and much more besides. But it needs to be remembered that this audience is extremely switched-on, media-literate, and highly cynical about conventional marketing ploys. Gamers are, by their very nature, proactive and will not be led by the nose like their passive, TV-viewing parents and grandparents. It would be a big mistake to assume that reaching out to these people and persuading them to accept branding as part of the scenery of their virtual worlds will be easy.

Conclusion

As gaming moves further into the mainstream, its influence will start to ripple out into many other areas. At the most straightforward level, we will see the growing importance of media that specifically target gamers: magazines, websites, TV programs, many of which will seem alien in content, style, and codes to conventional marketers and brand owners. We will also see gaming sections appearing in lifestyle magazines and popular newspapers; the UK's leading tabloid, *The Sun*, is already running a gaming column as a way of making the paper relevant to younger readers.

And, at a more general level, we should also notice a subtle but inexorable shift in the balance of cultural power in the world. As new creative centers for global entertainment develop, the supremacy of the USA (and Hollywood in particular) in the entertainment industry seems bound to decline. Asia is already leading the way in terms of numbers of gamers, but at the moment most games are created in the West and then played globally; this situation may well change as Asia becomes more influential. The precise ramifications of all this are still unclear, but new roles in the entertainment industry will mean that brands looking to leverage entertainment properties will have to deal with new power brokers, new channels, and new approaches. While this may prove problematic for some traditional brands, it opens up significant opportunities for new non-established brands to get into the big time. One thing is certain, though: the gaming phenomenon is something that no brand owner, marketer, or advertiser can afford to ignore for a moment longer.

So do you accept the challenge? Are you ready to play?

Frankly, you don't have a choice.