Where the Audiences Are

The State of In-Game Advertising

ironSource | DIGIDAY

Where the audiences are:

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The state of in-game advertising

Over the past decade, games have emerged as one of the world's biggest forms of entertainment by time spent, dollars generated and audience size. Ordinarily, advertisers would flock to a channel that provided them access to broad and diverse audiences at scale, but stereotypes and misperceptions initially held marketers back from fully embracing mobile games in the same way as other forms of digital media. However, advertisers have recently started to discover that mobile gaming provides them access to a multi-faceted, massive audience.

To better understand the general perception of in-app mobile advertising, how brands leverage the channel to reach diverse populations and how the mobile audience feels about in-game ads, Digiday and ironSource surveyed 344 mobile game players and 109 advertisers. From the player perspective, we sought

to identify who today's mobile "gamers" really are, explore their motivations, and understand how they feel about the advertising they see. From the advertiser perspective, we were interested in a range of topics, from how well this channel is being leveraged and advertisers' goals for in-app advertising, to the ad formats that work best in this new environment, to current and expected budget allocation.

For both players and advertisers, we were curious how well advertising is addressing audience diversity, from age and gender to ethnicity and ability diversity.

With 2.6 billion gamers worldwide in 2020, it is time to better understand the current state-of-play of advertising in mobile gaming and identify the trends and opportunities in this fast-growing channel.

Among the players and advertisers we surveyed:

· **65%**
of people who play mobile games don't identify as gamers

· **83%**
of people say they play mobile games to relax

· **59%**
of advertisers say they don't spend more in-game because of a lack of internal buy-in

· **69%**
of advertisers expect to increase their spend in mobile games over the next year "somewhat" or "significantly"

· **76%**
of advertisers have used mobile games to reach ethnically and racially diverse audiences

Who are mobile gamers, and why are they playing mobile games

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Don't call them "gamers"

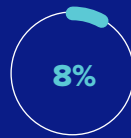The word "gamer" is not a descriptor with which the majority of people who play mobile games identify.

Many of our consumer respondents are avid mobile-game players - the majority play at least once per day (62%) and many only play games on their mobile devices (44%) — but the term "gamer" is simply not for them.

8% Strongly identify as a gamer

21% Somewhat identify as a gamer

65% I do not identify as a gamer
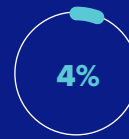
4% I don't know

• **65%**

of people who play mobile games don't identify as a "gamer"

"The perception in the past has been that gaming is heavily skewed toward a male user base, or male consumers who play a particular type of game," said Roey Franco, vice president of product and innovation at Xaxis, which works to optimize advertisers' digital media spend.
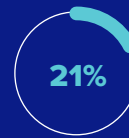
"This has changed a lot in recent years," he said. "Introducing new games and new game genres has penetrated the market even deeper. So, we see a lot more female representation across the board. Again, from recent numbers, we found that 46% of gamers are women."

Further data shows that the mobile game player in 2021 tends toward a more casual experience and also toward game genres that connect them with others.
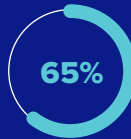
Q: As a player of mobile games, what genres do you engage with the most? Select all that apply.

Casual games, i.e. Candy Crush — 65%

Puzzle or cooperative games with other people, i.e. Words with Friends — 51%

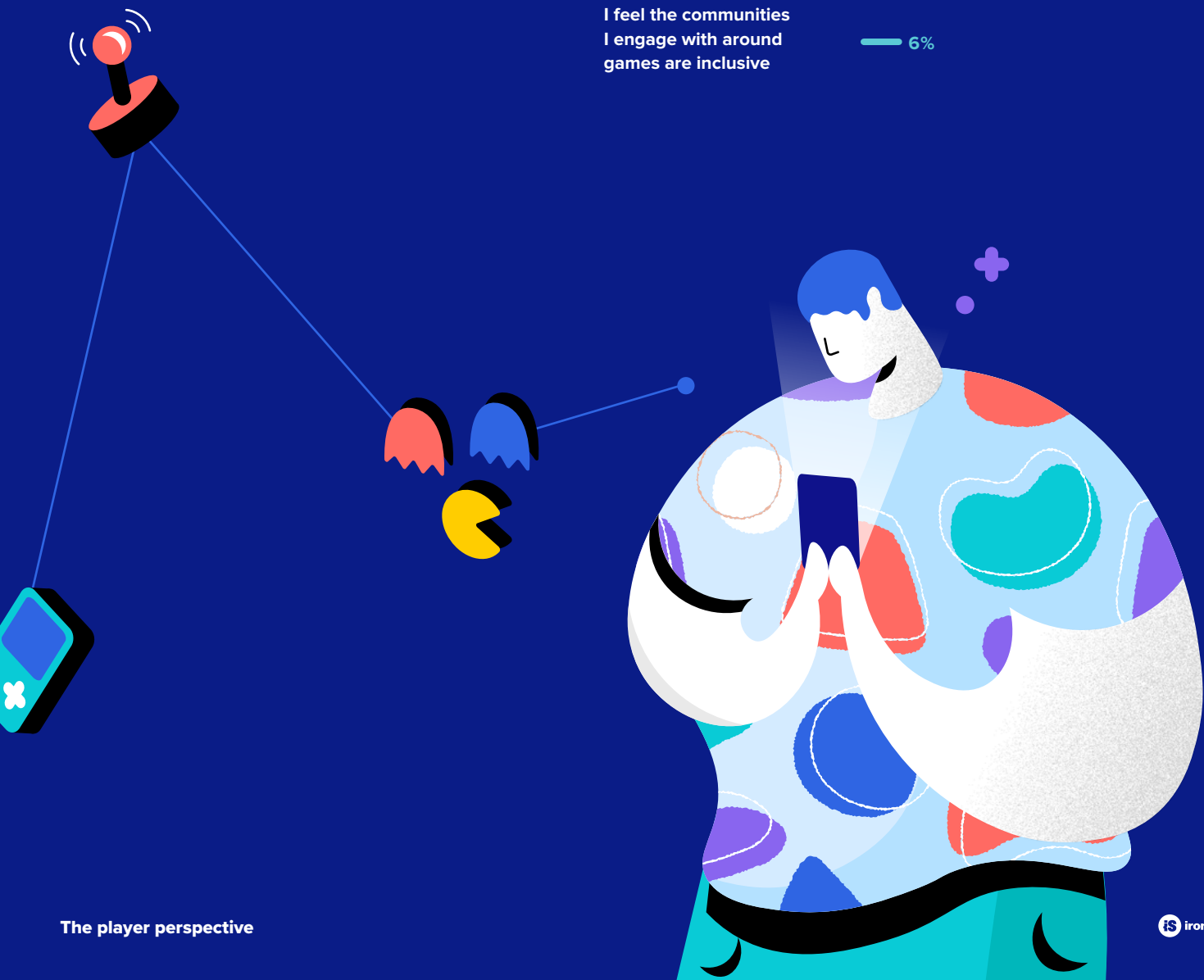Games based on familiar characters or content, i.e. Star Wars — 27%

Role-playing games, i.e. Final Fantasy — 23%

Arcade games, i.e. PacMan — 18%

Mobile version of console games, i.e. Grand Theft Auto — 12%

The motivations and preferences for playing mobile games are varied. Relaxation, entertainment and a distraction from serious issues are all elements that rank highly in our respondents' answers.

Q. **With which of the following statements do you identify? Select all that apply.**

I play games to relax — **83%**

I play games as a form of entertainment — **67%**

I play games to get my mind off serious issues — **57%**

I enjoy the sense of achievement I get from playing games — **36%**

I play games to connect with other people — **16%**

I feel the communities I engage with around games are inclusive — **6%**

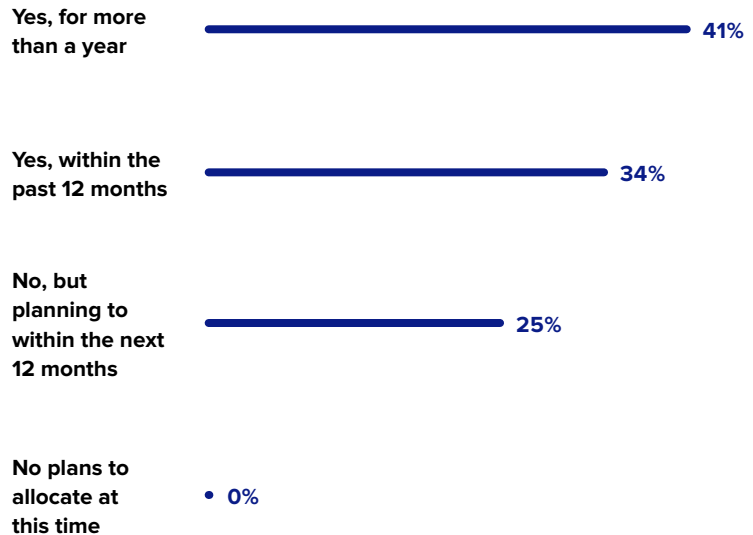# Advertisers are leveraging mobile games to reach their audiences

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Budget allocation

With a wide range of people playing mobile games, brands are looking to increase their audience reach with in-game advertising.
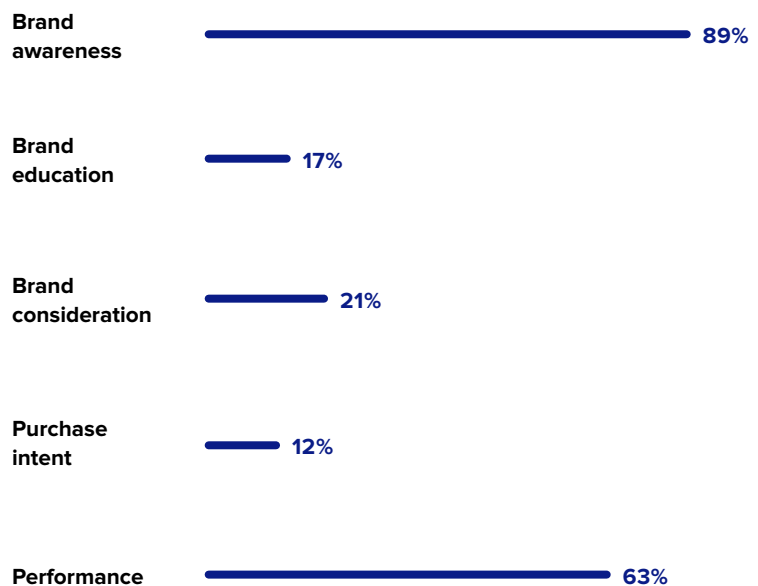
This is not a new strategy — 75% of our brand respondents tell us they've already been allocating digital marketing budget to in-game mobile ads for a year or more. And the remaining 25% said they haven't yet, but will allocate budget to the space in the year to come. In other words, every one of them has a plan to invest in mobile games.

Q: Have you allocated a digital marketing budget to in-game mobile ads?

Yes, for more than a year — **41%**

Yes, within the past 12 months — **34%**

No, but planning to within the next 12 months — **25%**

No plans to allocate at this time — **0%**

Most brands are striving for awareness as the outcome of their in-game spend — 89% said so. Another significant segment (63%) wants performance (i.e., app installs and sign-ups).

Q: What in-game mobile ad outcomes are you targeting? Select all that apply.

Brand awareness — **89%**

Brand education — **17%**

Brand consideration — **21%**

Purchase intent — **12%**

Performance — **63%**

The budget allocation for many marketers is already meaningful: 23% are pumping more than 30% of their digital budget into the space, and 55% are allocating one-fifth or more of their spend to campaigns that reach mobile players.

Q: How much of your digital marketing budget do you allocate to in-game mobile advertising?

1%–10%	22%
10%–20%	17%
20%–30%	32%
30%–40%	19%
More than 40%	4%
Don't know	6%
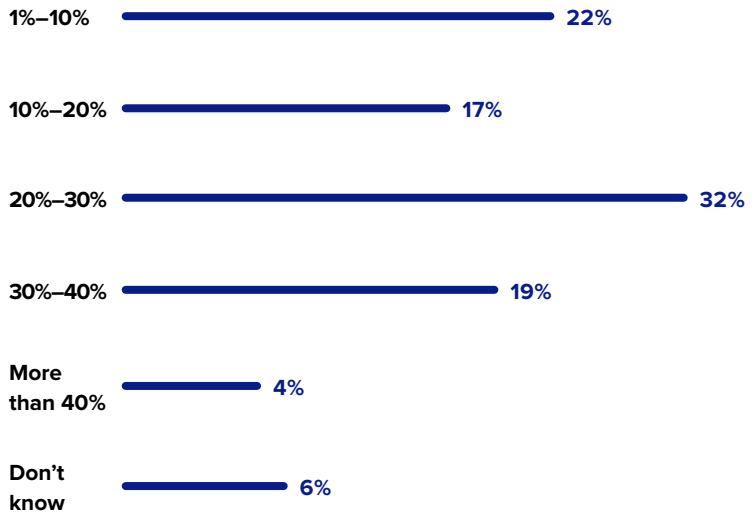
Championing the gaming investment

Our survey helped reveal challenges advertisers face when it comes to connecting with diverse audiences in-game. While they're spending and looking to increase budgets in the year to come, there remain barriers to additional investment — particularly around internal buy-in within their organizations.

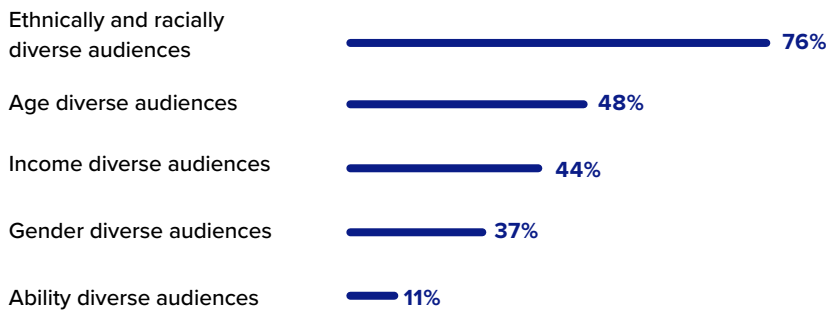**Q. When it comes to reaching audiences in games, what are the most common challenges around targeting? Select all that apply.**

Lack of budget/resources	62%
Lack of internal buy-in for in-game advertising	59%
Insufficient audience data about players	26%
Lack of in-house knowledge and skills	14%
I don't know	7%

Mobile advertisers are seeking diverse audiences in-game

- When it comes to how advertisers are working to reach their targets, it's helpful to start with considering which mobile game audiences they're looking to unlock.

Q. Which audiences have you tried to reach through advertising in mobile games? Select all that apply.

Ethnically and racially diverse audiences — **76%**

Age diverse audiences — **48%**

Income diverse audiences — **44%**

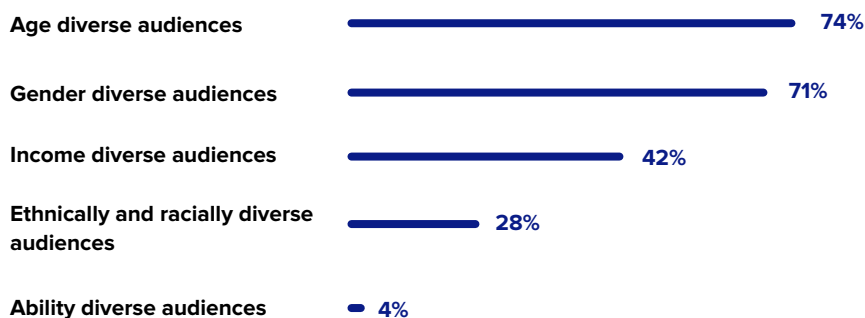Gender diverse audiences — **37%**

Ability diverse audiences — **11%**

It's evident that race and ethnicity have largely been on the marketer's mind regarding in-game advertising. Age and income also command a significant portion of their efforts, and gender diversity closely follows.

Advertisers are reaching desired demos through in-game audiences

- As advertisers have experimented with in-game campaigns, they've seen varying levels of success in achieving desired outcomes. Age and gender have been the most successful approaches, with diversity coming a close second. Successfully reaching other diverse audiences, however, has been more challenging.

Q. What kinds of audiences have you successfully reached through in-game mobile advertising? Select all that apply.

Age diverse audiences — **74%**

Gender diverse audiences — **71%**

Income diverse audiences — **42%**

Ethnically and racially diverse audiences — **28%**

**Ability diverse audiences** — **4%**

Ability diversity among mobile-game audiences

As brands seek to build a more inclusive advertising and marketing strategy, they are also considering the various types of diversity — including differently-abled people. In our survey, more than 10% of our respondents said ability diversity was part of their plan for engaging with new audiences. Among mobile games that have focused on the demographic in recent years has been Injini. Developed with autistic children in mind, the game features play that dovetails with differences in language, motor and cognitive abilities. This is another space, to harken back to Roey Franco's point, at Xaxis, that an expanding range of games reaches an expanding range of diverse audiences. For advertisers, each is an opportunity to identify and engage with audience diversity through new channels and ad formats.

How well are advertisers doing?

When asked how well brands are representing a diverse audience in their in-game ads, about half (47%) said advertisers are doing "somewhat well" at reaching diverse audiences with ad creative. Overall, 61% gave good marks, meaning "somewhat" or better.

Q. As a game player, how well do brands represent diverse and multicultural players in their in-game mobile ads?

4% Extremely well

10% Very well

47% Somewhat well

28% Not very well
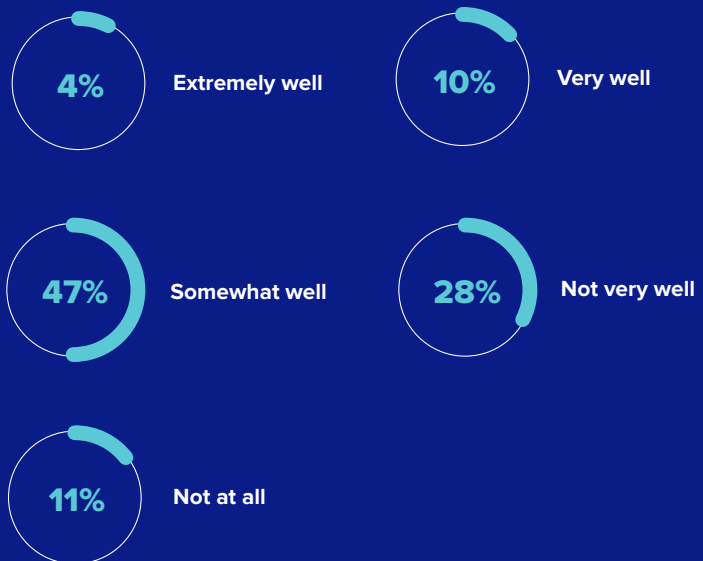
11% Not at all

However, the challenging news is that more than one-third (39%) of the mobile players we surveyed are not as impressed with the ads they see. They evaluated the representation as amounting to "not very well" or "not at all."

One reason that comes to mind, said Joshua Bareño, director of multicultural programming at Essence Global, is that brands simply aren't looking in the right places with the right messaging. This correlates with what advertisers cite as a challenge in the next section of this report:

insufficient audience data about the players they're trying to reach.

Meanwhile, speaking broadly about gaming, Bareño said future success would build on a deeper understanding of audience type and how they match different categories of games: "I think specific genres usually over-index for specific audiences," Bareño said. "In some of the studies that I've read, if it's LGBTQ, for example, action is not the most popular genre — it's fantasy. And role-playing is one of the ones that pop out — thinking about the genres

that we say are the most popular, they're actually only the most popular for specific parts of the gaming community."

One way for advertisers looking to reach specific communities to succeed is to align with genres that have demonstrated affinity among their target markets. As they would do with genres in other mediums, it allows advertisers to more appropriately align creatives to the type of games in which they appear.
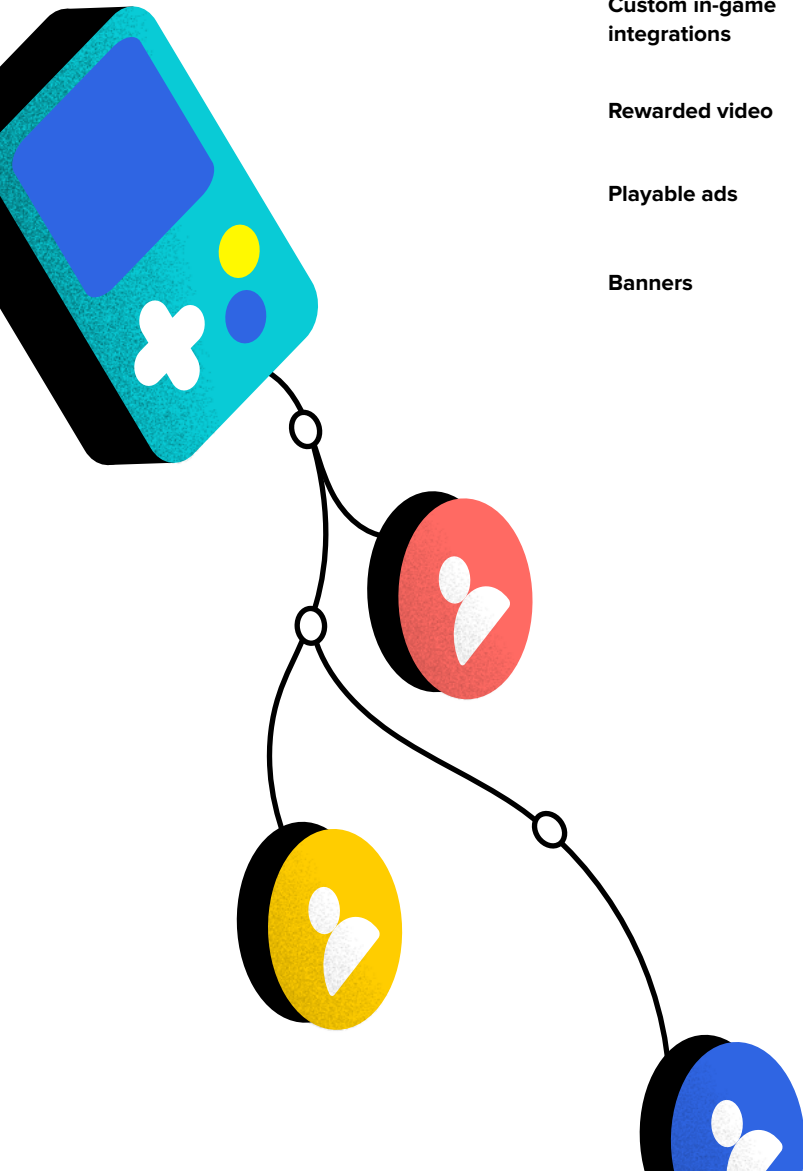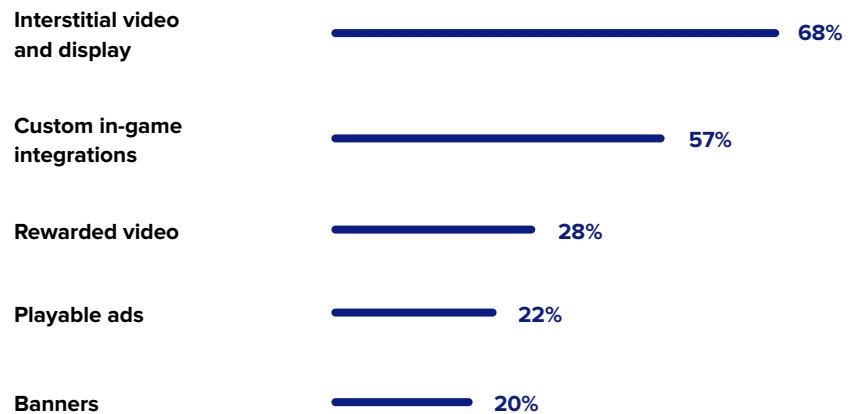
Ad formats

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What mobile game advertisers are building — and what works

One thing that differentiates mobile gaming from other mediums is the comparative performance of advertising in the gaming channel.

In a 2020 study, researchers noted that among those "with a higher inclination to play mobile games, the engagement rate is likely to be high, and the receptiveness towards the marketing message can be remarkable."

Mobile game developers have been among the most successful at not only finding organic ways to incorporate advertising into the audience's experience so that the ads don't interrupt gameplay, but also in creating ad formats that the user requests to see, as the reward benefits their game experience. This translates into success for advertisers - with multiple in-game formats proving effective for their campaigns.

Q: **Which of the following ad formats have been most successful when it comes to in-game campaigns? Select all that apply.**

Ad format	Percentage
Interstitial video and display	68%
Custom in-game integrations	57%
Rewarded video	28%
Playable ads	22%
Banners	20%

Types of ad formats that appeal to players

Our game-playing respondents cited rewarded video ads that they opt-in to see in exchange for level-ups and in-game items as the preferred format. Interactive ads follow close behind.

Video ads that offer a level-up or in-game currency or assets for watching — **34%**

Ads that I can play that might be mini-games or teasers for other games — **32%**

Ads that appear at the top, sides or bottom of the screen — **23%**
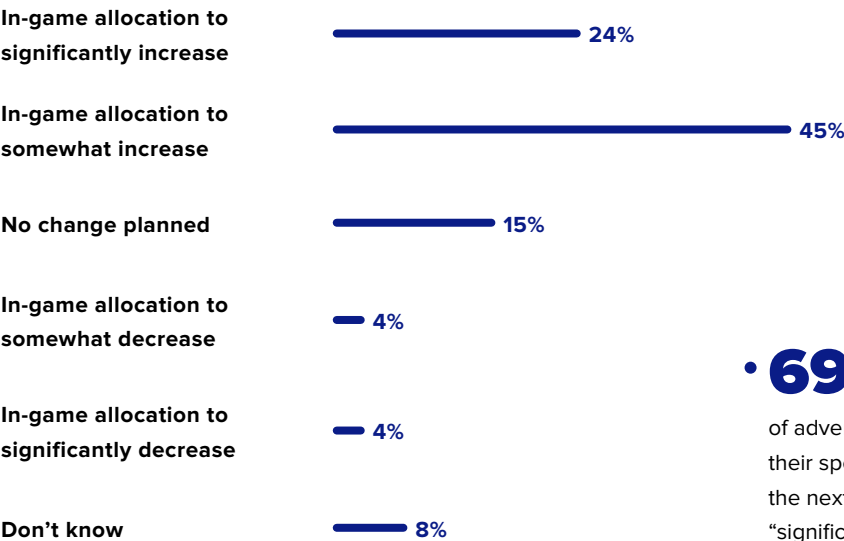
Ads that appear as a break during gameplay — **15%**

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The future of advertiser in-game budgets

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In the year to come, the majority of advertisers will increase in-game mobile spend

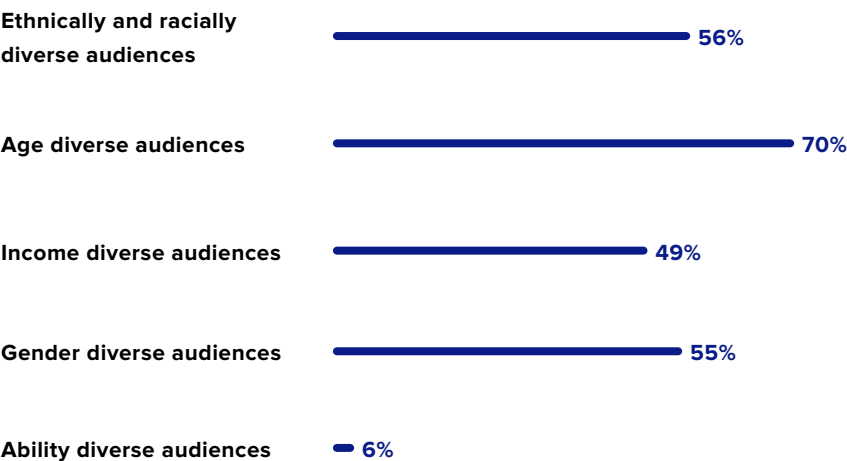**Q.** In the coming year, how will your in-game mobile advertising budget change?

In-game allocation to significantly increase — **24%**

In-game allocation to somewhat increase — **45%**

No change planned — **15%**

In-game allocation to somewhat decrease — **4%**

In-game allocation to significantly decrease — **4%**

Don't know — **8%**

69%

of advertisers expect to increase their spend in mobile games over the next year "somewhat" or "significantly"

The survey shows that 70% of advertisers are interested in reaching diverse age groups. Ethnicity and race (56%) and gender diverse (55%) audiences are also priorities.

Q: Which audiences/demographics will your in-game mobile marketing strategy include in the next 12 months? Select all that apply.

Ethnically and racially diverse audiences — **56%**

Age diverse audiences — **70%**

Income diverse audiences — **49%**

Gender diverse audiences — **55%**
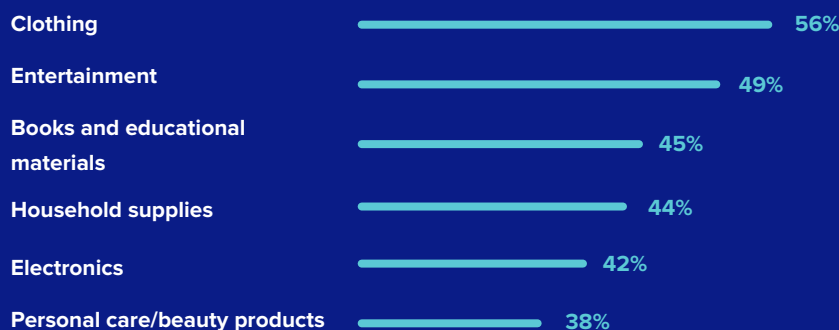
Ability diverse audiences — **6%**

Apparel and entertainment top mobile gamers' purchase interests

As advertisers' understanding of mobile player demographics increases, and as their insights into what those players prefer to see on their screens expands, their ability to connect with audiences will improve. This also means that advertisers of all types will be able to explore the effectiveness of mobile gaming at reaching their target customers. The game players in our survey identified some of the categories to which the in-game advertising strategies can apply.

Q. **What products are you in the market to shop for and purchase? Select all that apply.**

Category	%
Clothing	56%
Entertainment	49%
Books and educational materials	45%
Household supplies	44%
Electronics	42%
Personal care/beauty products	38%

The player perspective

Summary and takeaways:

Looking ahead: The in-game opportunity

Gaming has changed dramatically, and even if many people don't identify as gamers, most are playing games on their phones. How well are advertisers taking advantage of this massive, engaged and diverse audience?

- **Gaming is the new playing field:** Advertisers realize that in-game advertising is where the audiences are. Most have been allocating budget to this channel for at least one year and nearly a quarter are allocating a third of their digital budget to the space.

- **Diversity represents opportunity:** While advertisers have been relatively successful in reaching age- and gender-diverse audiences, they have been less successful in reaching ethnically diverse groups. This mirrors the player perspective: Well over half said advertisers do a less-than-stellar job at representing diversity in their ads. This provides a real opportunity for advertisers to align their genres and creatives with the target audiences they seek to reach.

- **There is significant room for growth:** Most respondents reported on budgetary constraints, often due to lack of internal buy-in, suggesting that there is significant room for growth.

- **The future is mobile gaming:** The majority of advertisers plan on increasing their spend in mobile games, with the goal of reaching age and ethnically diverse audiences.

- **The imperative — act quickly:** The rapid growth in mobile gaming is likely to continue, presenting an immense opportunity for advertisers. For advertisers, the mobile in-game opportunity is expanding, but the imperative to act quickly and seize opportunities before the competition claims them is greater than ever before.

About
ironSource

ironSource is a leading business platform that enables mobile content creators to prosper within the App Economy.

App developers use ironSource's platform to turn their apps into successful, scalable businesses, leveraging a comprehensive set of software solutions which help them grow and engage users, monetize content, and analyze and optimize business performance to drive more overall growth.

The ironSource platform also empowers telecom operators to create a richer device experience, incorporating relevant app and service recommendations to engage users throughout the lifecycle of the device. By providing a comprehensive business platform for the core constituents of the App Economy, ironSource allows customers to focus on what they do best, creating great apps and user experiences, while we enable their business expansion in the App Economy.

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