Reaching the Millennials:  
A Study of the Use and Effectiveness of New Media

A Senior Honors Thesis Project  
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Abstract

In recent years, the traditional forms of advertising media have faced a steep decline. The advancement of new technology and media concepts have created a diverse media audience, making it difficult to reach mass markets through traditional media. Advertisers now face the challenge of adopting these new media strategies and using them to reach today’s vital youth market. The Millennial generation is the first to grow up completely surrounded by computers and wireless technology, and their unique lifestyle will most certainly change the future of advertising.

This project is a discussion of these new media formats and their importance among the Millennial generation. Formats to be discussed include: Internet, instant messaging, email and chat, blogs, video games, wireless marketing, personal video recorders and satellite radio. A discussion of the Millennial generation and their usage of such media is also included.
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Table of Contents

The Decline of Traditional Media ................................................................. 2
The New Target Audience .......................................................................... 3
Millenials and New Media ......................................................................... 5

New Media Concepts

Internet ......................................................................................................... 8
Blogs ........................................................................................................... 9
Email & Chat ............................................................................................. 12
Instant Messaging ...................................................................................... 13

Video Gaming ............................................................................................ 17

Wireless Marketing ..................................................................................... 25
Personal Video Recorders and Satellite Radio .......................................... 31

Summary ................................................................................................... 34

Works Cited ............................................................................................... 36
Reaching the Millennials: A Study of the Use and Effectiveness of New Media

It was the end of the second World War that gave the advertising business the wealth and opportunity to grow into a thriving industry. The Baby Boom era gave birth to a generation of 75 million potential consumers that became a key demographic for advertising messages. The development of television provided an outlet where people of all ages could be reached with little interruption. Consumers were watching innovative and memorable ads with as much interest as they did the actual programming.

Agency directors like Bill Bernbach, Leo Burnett and David Ogilvy became celebrities and entrepreneurs, as the advertising industry and advertising expenditures grew significantly. It was also a time when advertising was fun, innovative and exciting. This was the era of the renowned three-martini lunch, and the industry was considered the place to work for young people entering the job market.

Although the industry is still known to be entertaining and exciting, it has changed drastically from the golden era of advertising. Advertising has turned into an extremely serious business dealing with over $250 billion of ad sales annually in the U.S. alone (O’Guinn, Allen and Semenik 2005). With diversified audiences and consolidated clients, ad agencies are finding it increasingly hard to create and place ads that will be effective in reaching the consumer.

The Decline of Traditional Media

The advertising industry was revolutionized in 1993 with the introduction of the first Internet browser. Since the introduction of the Internet, traditional forms of media are being used less frequently, and new forms of media with new technology are rapidly taking over. With the creation of the Internet and digital media technology, consumers
are no longer at the mercy of advertisers. These new forms of advertising allow users to only view media that they can control and integrate into their lives. The future of advertising is moving rapidly toward these new media technology and away from the traditional forms of mass communication.

According to a report titled "The State of the News Media 2004," (Agence France-Presse 2004) there is a universal decline in the use of traditional media. About 55 million daily newspapers are sold in the U.S., an 11 percent decline since 1990. In addition, only 54 percent of U.S. residents now read a newspaper during the week, a figure that also continues to decline. The statistics fare even worse for the leading television networks. A decade ago, 40.7 million Americans watched the nightly newscast on a network station. As of November 2003, that number had declined by 28 percent.

Experts are calling this steep decline of traditional forms of media "an epochal transformation" of the media industry. Much of the change can be attributed to dwindling public trust of mass communication methods, and a lack of innovative and creative concepts within the traditional forms of mass media. According to many experts, the age of traditional mass media is dead (Hanley 2005).

The New Target Audience

The future of advertising lies in targeting small niche markets of customers through targeted micro media, called "micro-targeting." This new approach is an attempt by marketers to build long term relationships with their customers. They are doing this by recognizing the individuality of their consumers and creating highly targeted messages to satisfy their individual needs and wants.
Besides the introduction of new technology and media outlets, the division between demographic segments has further diversified media audiences. The newest demographic segment, called the Millennials, have different views and media preferences than the Baby-Boomers or Generation X. Born between 1981 and 2000, the oldest of the Millennials are just now beginning to enter adulthood and start their careers.

Optimism is the defining feature of the Millennial generation. Eighty-three percent of them feel either completely or mostly satisfied with their lives, and 77 percent say they feel confident about their future. This generation also values the community, and has a strong sense of respect for themselves and their parents. They are a very patriotic generation, partly because they have felt the effects of the September 11 tragedy. Although many are barely teenagers, researchers are already expecting great things out of the Millennial generation. They have already been referred to by some as the “Next Great Generation,” (Howe 2000).

This teenage segment also has a lot of influence in making decisions for their households when it comes to making purchasing decisions. Teenagers’ role in making purchase decisions for the family is increasing as many parents rely on their teens’ advanced computer skills to research products online. In fact, in 2003, nearly half (47 percent) of all teenagers had been asked by their parents to go online to find out about products or services, compared to only 37 percent in 2001. Older teens tend to have more influence on the purchase of personal computers and cell phones than younger teens, while younger teens have more influence on video games, ice cream, candy, and vacation travel (MRI 2004).
Millennials are also the most diverse market segment. They are not overly concerned with ethnic backgrounds and tend to blur the line between racial and ethnic identities. According to Interep Research (MRI 2004), one out of every three teenagers between the ages of 12 and 19 belongs to a minority racial or ethnic group, as compared to only one out of five in the Pre-Boomer generations. Asian-American teens ages 10 to 14 are expected to experience the highest percentage of growth (31%) in this decade.

In addition, Millennials have an enormous amount of spending power, unmatched by any of the previous generations. According to renowned youth expert and author, James McNeal, Millennial “tweens” will influence $190 billion in purchases annually (Mask 2002). A PBS documentary series, Frontline, states that Millennials in their teens will spend $100 billion of their own money and influence an additional $50 billion in annual sales. These figures are expected to rise as Millennials enter the workforce and gain additional spending power. It is this tremendous amount of spending power that makes the Millennial generation so important to the advertising industry.

Millennials and New Media

Millennials have already established themselves as a technology savvy generation, as they are the first to grow up completely surrounded by the Internet and all forms of digital media and appliances. Although their media habits are still being developed, the Internet has already been established as their medium of choice. Their main form of communication with friends is through instant messaging, and they rely on computers to store everything from music to homework.

According to Nielsen Media Research, teens in the Millennial generation view an average of 11.4 hours of television per week (Mask 2002), a figure that is comparable to
members of Generation X. However, Millennials break the media trend through their comfort level and use of “lightspeed media.” They have grown up in a world in which computers, cell phones, and cable television are a part of everyday life. Therefore, they expect communication that is near instantaneous, evoking the term “lightspeed media.”

A study conducted by the Pew Internet and American Life Project found that 73 percent of all U.S. teens go online at least once each month, with 74 percent of these using instant messaging communication (Mask 2002). A report on Digital Market Services by AOL found that an even higher percentage of teens, 81 percent, use email regularly. In addition, nearly 30 percent of all Millennials under the age of twelve own their own cell phone. For the Millennial generation, these new media concepts are typical forms of communication. Email is an essential part of their everyday lives, much like the telephone was for the Baby Boom Generation.

Because of the use of lightspeed media, Millennials expect interactivity in their everyday lives. Even the traditional forms of mass communication have had to cater to their expectations. Many youth orientated television programs have adopted a more interactive approach. Examples of this include MTV’s Total Request Live, which allows viewers to vote for their favorite music videos throughout the day, and American Idol, which lets the viewers choose which singers will move on to the next round by voting through mobile messaging on their cell phones, or by calling a toll free number.

Even TV commercials have introduced some forms of interactivity into their messages. Many commercials now direct viewers to the brand’s website where they can play games, enter contests and learn more about the brand or its products. This allows
level of interactivity gives the users a sense of ownership for the brand, while creating high levels of brand loyalty.
New Media Concepts

Internet

The online ad world is rapidly changing to meet the needs and demands of the internet savvy Millennial market. More than two thirds of all Internet sites designed for kids and teenagers use advertising as their primary source of revenue, offering abundant ad space for marketers trying to reach this profitable market (Neuborne 2001). However, obvious tactics such as banner and pop-up ads have been less successful in reaching young consumers, forcing many sites to use more creative techniques.

As the web has become increasingly popular, many of the top sites have experienced traffic jams as advertisers fight over the top positions. One reason for this is that the Internet is experiencing major growth, with Broadband connections now reaching half of American households. Although the Internet still accounts for only 4.3 percent of U.S. advertising revenue, surveys show that it accounts for 14 percent of American’s media time. While the overall ad industry grows at 7.7 percent, Internet ad sales are growing at a rate of 28 percent, and Emarketers predict that online advertising will reach $9.5 billion in 2005. Due to increased growth and ad spending, Internet ads have become a mainstream part of nearly every company’s media buy (Baker 2004).

With the increased competition and ad spending, advertisers are being forced to go beyond traditional banner and button ads. Online ads are now packed with music, color and video, very similar in format to many television ads. The new world of online advertising includes many new innovations, many them blending advertising with other web content. For example, Weather.com offers a free weather bar that users can download to their desktop. The service provides users with up to date weather
information and links them to a variety of advertisers including Scotts, a lawn care company, and American Express (Baker 2004).

Video is the newest trend in online advertising, representing 11 percent of online spending. This format is especially popular on music and gaming sites which are well received among the youth generation. The biggest problem facing online video is the shortage of spots for it (Baker 2004). The web’s largest portals are quickly becoming overwhelmed with videos featuring major brand advertisements, making it almost impossible for marketers with smaller budgets to break into this format.

Blogs

Blogs, or Vblogs, are online diaries often used to dispel information about particular products. There are currently about 8 million blogs on the web, with some 14-20 million readers. According to Peter Blackshaw of Intelliseek (Oser 2004), blogs are the next wave in online marketing. “Consumer adoption of blogs has been on a steady rise for two years or so and marketers have realized that you can’t ignore them, because they tend to disseminate information so fast,” says Blackshaw.

Aside from high usage rates and speed of information, the real power behind blogs is the influence of their writers, who are often catalysts of public opinion. According to JanMarie Zwiren (Oser 2004), strategic analyst for Edelman Worldwide, bloggers are often “individuals who have a passionate opinion about a product, and instead of talking over the fence to a neighbor, they are talking to a neighbor online who may be in another state or country.” However, a downside that marketers must realize is that consumers may also share negative product reactions, creating a vulnerable market for advertisers.
Procter and Gamble Co. recently introduced blogs as a part of their marketing campaign for a new product, Mr. Clean AutoDry, a car washing product that dries spot-free. P & G hadn’t formally launched the product when a marketing manager realized that auto enthusiasts were trading notes about the product in auto blogs and chat rooms. To encourage more discussion, P & G gave away AutoDry sample kits to bloggers and asked for their honest feedback about the product.

As a result, 80 percent of the bloggers asked gave the product a positive review. This experiment led to product awareness levels reaching 25 percent among consumers, and 45 percent among car experts before the product even reached the shelves. P & G marketing director, Bob Gilbreath, calls this “the biggest payoff P&G has gotten from any of its online marketing surrounding the product launch” (Oser 2004).

There are several rules that marketers must follow when using blogs as an advertising medium. The first is that they must realize blogs are not a traditional medium, because they are not a paid space advertisement. Instead, marketers are investing in product samples and trusting that users will give their product a positive review. Bloggers should not be thought of as traditional consumers or marketed to with traditional messages.

Marketers must provide humorous and engaging ideas and creative concepts that will make the readers pass along their message. They also must engage in dialogue with these users and listen to all their comments, both positive and negative. In addition, marketers should always be honest about who they are and inform users on how to get help and services from their companies (Oser 2004).
As the number of blog users has rapidly increased, so have the advertising opportunities. Weblogs, Inc., the largest publisher of professional blogs has recently introduced “Focus-Ads.” These are interactive ads that give readers the opportunity to comment on an ad or product from a particular company. The ads have been running since March on larger blogs such as AutoBlog.com and Engadget.com, and will soon expand to over 70 other professional blog sites (Egen 2005).

Ads run through the Focus-Ads program prompt readers to click on a link below the ad which takes them to a page where they can submit comments on the ad or product, and review previously submitted comments. All comments are then forwarded to the advertiser, although only comments with appropriate content are posted for other readers to review.

The basic idea behind the program is to provide a learning experience for both the reader and the advertiser. Weblog executives hope that it will eventually evolve into a form of message testing for advertisers, allowing them to test their ad concept before investing millions into the campaign. By monitoring user feedback, advertisers can better measure the success of their ad and make informed decisions about media placements (Egen 2005).

Although the program is somewhat risky for advertisers, Shawn Gold of Weblogs says that advertisers participate because, “they believe in their brands and are willing to improve them through the feedback of enthusiasts,” (Egen 2005). Gold adds that while blog readers might not be typical consumers, their opinions are important because they are highly influential and enthusiastic users. Often they are well informed and vocal with
their opinions. While Focus-Ads have yet to really take off, many experts believe they are the next big step in the trend of consumer empowerment.

Email & Chat

The Children’s Online Privacy Protection Act, enacted in 2000, forbids companies from using email campaigns to target children under 13 without parental permission (Neuborne 2001). But while marketers can’t directly email kids, kids can email each other, and more and more they are passing along marketing messages from commercial websites. According to Jupiter Media Matrix, a leading Internet research firm, email is the primary source for “viral” campaigns, formally known as word of mouth, that rely on kids to forward marketing messages on to their friends.

For example, Lee Jeans targeted 200,000 young men with a viral marketing campaign by sending emails that contained mysterious and amusing video clips. The email directed the recipients to a specially designed website, and ultimately to stores where secret prize codes were printed on price tags. The campaign became a big success due to the fact that each recipient sent the message to an average of six friends each (Neuborne 2001).

Another online hot spot for the Millenial generation is a chat forum, or chat room. These are independent, online gathering spots where kids often go to chat about similar interests, from snowboarding to online gaming. While advertisers can buy traditional banner or skyscraper ads on these websites, they have become increasingly prevalent in chat conversations. Many marketers are visiting chat rooms and message boards to promote their product and find out what users are saying. While this method doesn’t fit
the definition of traditional advertising, marketers are beginning to realize the benefit in receiving personal feedback from its users (Neuborne 2001).

Instant Messaging

Instant messaging (IM) has become an important medium for communication among the Millennial generation. A 2003 AOL report claims that 2.3 billion messages were sent each day across the three AOL messaging platforms (AOL, AIM, and ICQ). Instant messaging ranked as one of the top five most popular activities reported across all Internet users, with more than 200 million registered users worldwide. By the end of 2005, instant messaging is expected to become the dominant method of online communication (Underscore Marketing 2003). The enormous number of subscribers make instant messaging an attractive market for advertisers, and a new source of revenue for IM platforms.

Many users are spending a significant amount of time each day using instant messaging services. Yahoo! reports that its IM users spend an average of 57 minutes a day using their instant messaging service, a number that will continue to increase as broadband connections become more prevalent. Teenage members of the Millennial generation are fully submerged in IM communication, with 72 percent exchanging instant messages everyday. Fifty-five percent of AOL Instant Messaging users are under age 35, with 20 percent under age 18 (Van Camp 2004).

There are four main ways for advertisers to capitalize on the popularity of instant messaging. These include banner ads, buddy icons, chat windows, and buddy robots. Each method differs in both cost and form of delivery.
When AOL Instant Messenger service first introduced advertising, the banners were dedicated to advertising other AOL properties, enticing users to subscribe to the full AOL service. The ads, which are roughly 2 X 2 inch squares which appear at the top of a users “buddy list,” now advertise a wide variety of products and services including movie releases, automobiles, and other websites. The service now has moving video and sound capabilities, making it an even more attractive medium for marketers. These interactive ads are also linked to websites where users can get more information if they are interested (Underscore Marketing 2003).

Another way brand marketers can hook IM users is through buddy icons. Each user can choose an icon that will appear each time they send an instant message to another person. Buddy icons can promote new trailers and movie release dates, or characters that appear in movies. These icons are downloadable from many different websites, where users can search for icons specific to their interests or personalities. The most popular marketing icons are focused on the entertainment industry, featuring new movie and music releases.

These icons, which are generally free to the user, provide marketers with a low cost way to extend the brand in the online media mix. One weakness of advertising through buddy icons is that they have to be extremely original and creative in order for users to choose them. There are millions of different icons to choose from, and some users change their icons frequently. However, marketers who are able to make creative use of such a small space stand to reap the benefits of millions of impressions sent daily.

The third way to use IM as a marketing tool is by sponsoring a chat window. To capitalize on the success of IM advertising, Yahoo! has created IMVironments. These
are essentially branded mini-sites, which can be as large as the IM window. This format allows users to see the product or service as the background to the chat window while talking with friends. This format also offers an additional form of interactivity by providing links that allow users to visit individual product websites (Underscore Marketing 2003).

Yahoo! has created IMVironments for GMC and Major League Baseball. This service provides users with real-time updates from games that can be viewed without navigating away from conversation windows. This type of advertising goes beyond the traditional banner ad or television spot by providing the user with enhanced interactivity.

The last form of online advertising provides the highest level of user activity, allowing users to place certain famous figures or characters on their buddy list. The interactive agent or "buddy bot" provides the user with an immediate response or answer. So far, buddy bots are emerging as the most promising method of capitalizing on the popularity of instant messaging. The service is designed to deepen customer relationship with the brand, without being too intrusive to users (Whelan 2001). A company called ActiveBuddy, Inc. is the most prominent creator of these interactive agents, having created bots for clients like New Line Cinema, Kelloggs, 7Up, and Keebler.

The most popular agent created by ActiveBuddy was SmarterChild, who has spoken to more than nine millions users in its lifetime, often chatting with more than 60,000 users at the same time. SmarterChild users can get local weather, movie times, headlines, stock quotes, and horoscopes by sending an instant message to SmarterChild (Whelan 2001). If IM users like using a buddy bot, they spread the word quickly by sending an "add this to your buddy list" message to all their friends online.
Opportunities are vast for this branded, one-on-one form of communication. For example, a movie studio could create a movie agent that provides movie history, quotes, and information about actors, directors and films. Educational services could provide a bot that offers homework help with formulas, study questions, test hints, or paper topics. While this advertising format doesn’t deliver a specific message, which prevents it from becoming a traditional form of media, the bots do promote specific products and brands, allowing for increased branding and product recognition. Although these services are usually free, SmarterChild has recently switched to a subscription based service, charging users $9.99/month (Whelan 2001).

Despite the popularity of IM, services are somewhat reluctant to push advertising too far, for fear of people switching from one service to another. However, the UCLA Internet Report found that Internet users maintain an average of 2.2 screennames, suggesting that people maintain accounts on more than one IM platform anyway. Without this fear, the “Big 3” IM platforms might push to support advertising trends like day-part targeting and geographic selectivity (Underscore Marketing 2003).

Day-part targeting would allow McDonalds to roadblock an entire afternoon with a golden-arches background of every IM window. Geographic selectivity would encourage marketers to buy IM brand advertising for the same reason they might buy outdoor media or billboards (Underscore Marketing 2003). It would allow them to reach audiences in various spot markets, with a potential audience much greater that outdoor advertising allows.
Video Games

Computer gaming has evolved dramatically over the last several years, opening up new opportunities to marketers worldwide. Consumers have two choices in video game technology, typical console games and online games, which are both rapidly growing categories. The Interactive Digital Software Association (ISDA), a gaming industry group, estimates that more than 219 million computer and video games were sold in 2000, averaging two games for every household in America (Fattah 2002).

There are currently two basic types of games – stored and online. Stored games come in the form of consoles, such as Sony Playstation of Microsoft Xbox. These games offer users high-speed action and graphics that usually appeal to a young male audience. This form of gaming is most useful to advertisers in the form of product placements within the games.

The other form, online gaming, has experienced considerable growth in recent years. According to Fattah (2002), experts expect that the online gaming audience will rise to 80 million by the end of 2005. This category has grown at a rate of 25 percent per year, and is on track to overtake movies as the top choice for entertainment.

Many experts believe that advergaming – interactive advertisements that merge online games with a company’s brand or product, are the biggest opportunity in the online market. According to YaYa, a Los Angeles based advergaming firm, players spend an average of 5 to 7 minutes on an advergame site, a clear advantage over a basic 30-second television spot (Fattah 2002). Advergames are often custom-created, allowing marketers to target their game to a specific demographic. “Online gaming is becoming a pretty mass market,” says Chris Di Cesare (Fattah 2002), group product manager for
Microsoft's Gaming Zone. "Not only is it a broader demographic that console gaming, it's flexible and customizable so that you can target quite easily."

Many marketers are doubtful that users would play these online games rather than their gaming consoles. However, these games provide an entertaining way for consumers to learn about a particular company or product. In addition, they offer high quality content and interactive gameplay. Many consumers are spending more time playing online games, which cuts into hours that they might normally spend consuming other forms of traditional media.

The highly specified targeting and limited expense makes advergaming a promising tool for marketers. Custom-made games allow for game content that is tailored to suit a specific target audience. Strategy games can be used to target more educated, upscale users, while action games might be better suited to a younger audience.

A second way to tailor games even more specifically to niche markets is the website or location through which the game is promoted. For example, the ESPN website reports a 78 percent composition of male users for its games, with 60 percent of users being under the age of 34 (Fattah 2002). Other ways to target advergames are based on the contest structure of game, or how users win. Another method is based on geography, which could be used to point gamers to specific retail locations or dealers. However, custom game designs come at a price. Advertisers can spend an average of $100,000 to $500,000 just to create a custom-designed game (Keating Chisholm 2001).

No matter how specifically a game is targeted, it is important to have clear objectives. Experts believe that advergaming is most effective for advertisers who seek to find out information about their potential customers, rather than those who are profit
focused. Marketers can gather data through sweepstakes entries and opt-in programs that solicit demographic information from users who want to post their scores on a high-score list (Fattah 2002).

In addition to being highly targeted, another advantage of advergaming is that it is extremely measurable. Because games have to be downloaded in order to play, companies can easily track how many times a game is downloaded and played. The time an average user spends playing an online game is between five and seven minutes, 14 times the amount of time spent watching television (Fattah 2002). During this time, the user is active in receiving the marketing message, while they may leave the room periodically when watching television. Marketers can also easily survey users to determine the brand awareness and recall achieved by online games. This information can then be used as a customer relationship management (CRM) tool, to further pursue customers who are more likely to purchase.

Automotive companies have become one of the first industries to take full advantage of these games, and they remain one of the most significant users. Ford, General Motors, Toyota, Honda, and AutoTrader.com have all used advergaming as a part of their marketing strategies. All companies have seen considerable results, with more than one million users logging into the Dodge Garage Website to play the new Dodge Speedway game during its first year (Fattah 2002).

Chrysler Group is one of the most recent companies to add advergaming to their marketing mix. Their new Island Rally Racing Series is an online game that employs next-generation technologies to deliver a console-quality racing game over the Internet in real time. The custom published series was created to help promote Chrysler’s new
lineup of vehicles, and features separate titles for the Chrysler, Jeep, and Dodge brands (Moltenbrey 2004).

Because the main focus of the series is to promote the vehicles, it is imperative for the game to portray the characteristics of the vehicles that are true to actual design characteristics in both appearance and performance. Artists at Wild Tangent used actual CAD data, combined with torque info and technical and engineering data to program each model. “As a result, every vehicle in the game handles as it should,” says producer Jay Minn (Moltenbrey 2004). “You can tell the difference between a vehicle with rear-wheel drive, front-wheel drive, and four-wheel drive.”

The actual goal of the game is to build up all of the cars to their maximum upgrade level. This equates to about 15 total hours of gameplay. Users can play their first game without registering, but after that they must answer a few questions, provide their zip code, and register with the Chrysler group. After completing this step they may continue playing free of charge. However, the manufacturer is using the game to collect a wealth of information about the users and potential buyers. This info includes a tally of the users favorite makes, models and colors (Moltenbrey 2004).

Evidence has shown that advergaming is obviously entertaining, but many marketing professionals are still doubtful about whether they actually work. The most successful campaigns to date have had several things in common. First of all, the branding message is closely incorporated into the actual gameplay. Secondly, as they play the game, customers are educated about the product, or at least the branding message (Keating Chisholm 2001). Permission marketing is the key with this medium, as
customers are often willing to submit an e-mail address in exchange for the prizes offered through the game.

The second type of advertising within the gaming industry is product placement. These are used as “a means of avoiding obtrusiveness of classical ad formats and thus counteracting media users psychological reactance.” Product placements have been used in video games since the video game boom in the 1980’s when Sega first introduced Marlboro placement ads within their games (Grigoryvici 2004). While it’s true that product placements have been included in video games for several generations, new advances in graphics and online connectivity, paired with the desire to reach a more elusive demographic segment, are pushing in-game promotion even further.

Product placement in videogames can be done in at least two different ways. First of all, a marketer can create its own branded videogame which features its own products. For example, the Gap created its own game called “Snow Day”, featuring school children wearing Gap clothes, which was distributed with any purchase at Gap Kids. The other option for a marketer is to place products in a game already being produced by a videogame company. This can involve a licensing fee or a cross-promotion between the product being placed and the videogame (Gunn 2001).

Advertisers are catching on quickly to these new trends in the gaming industry. Many have discovered that in-game advertisements are a cool new way to place their products in front of the impressionable youth segment. Activision and Atari – two leaders in the gaming industry – say that in-game advertising allows brands to reach males between the ages of 13-24, an especially elusive segment of the Millennial audience. According to Jupiter Research (Banerjee 2004), 95 percent of teenage boys
play some form of video games, and 45 percent of total videogame players are under the age of 18, according to a Wall Street Journal survey.

As innovative ideas and concepts make videogames more popular, teens are devoting less time to other forms of media. Videogame marketers estimate that children under 14 make up 20-25 percent of their market, making “tweens” the fastest growing videogame market (Gunn 2001). The youth generation is spending less and less time watching television and advertisers want to be where the viewers are. The largest media opportunities are the videogames sold at the retail level that reach millions and millions of people. Julie Shumaker of EA games offers a pricing strategy example from their popular “Sims” title (Webster 2004).

We are charging (the advertiser) 35 cents a unit and we know the average gamer plays that game a minimum of 45 times during the ownership of that game and we give (the advertiser) a million-unit guarantee—even though we know we’ll see millions. They have three integrations into the product-like a soda can, a billboard and maybe their product in a convenience store. That’s three exposures in the game: 180 million unique impressions for a million unique people.

According to Jim Wexler, VP of Marketing for BrandGames, the key attraction for marketers is repetition. On average kids play a game an average of 100 times before they burn out on it (Gunn 2001). This translates into hours of exposure for potential marketers.

In 2003, $10 million was spent on in-game product placement, this figure is currently expected to be nearing $50 million. While this figure is minimal compared to
the amount being spent on television advertising, many consumer advocacy groups see in-game advertising as foul play. “It’s inherently deceptive because they don’t disclose when ads are ads,” says Gary Ruskin (Banerjee 2004), Executive Director of Commercial Alert, a marketing watchdog group in Portland, Oregon. He believes that because this is a form of embedded advertising, there will be a backlash at some point.

In fact, one of the reasons advertisers believe that product placement is effective because the kids aren’t aware when they are exposed to ads. Nearly 90 percent of youth marketers advertise to children in ways that they don’t notice, and the Millennial generation is most receptive to this form of advertising because they have not yet grown to despise commercial messages. Dave Anderson, VP of Marketing with Activision, believes that gamers actually enjoy the ads. “Our consumers actually demand it when appropriate,” he says. “It adds authenticity and realism to a game (Banerjee 2004).

However, both software publishers and marketers need to be aware that there is a fine line between advertising that makes a game more realistic, and advertising that alienates and annoys gamers. “We’re never going to overblow the advertising opportunity because the last thing we want to do is annoy our customers,” says Carolyn Feinstein (Bulik 2004), VP of Marketing and Communications at EA Games. “Our philosophy is very much about the integrity of the gaming experience. If we stick to that, we’re not going to over-saturate.”

The main downfall of product placement as compared to advergaming is the lack of measurability. There is no doubt that the number of gamers is increasing, but the challenge for marketers is finding and counting these users, and measuring the effectiveness of the medium as a whole (Webster 2004). Measurement is important
because as more data becomes available and the number of users continues to increase, the medium becomes more attractive to advertisers.

Marketers have a clear understanding of this problem and are attempting to establish a universal form of measurement. Nielsen Interactive Entertainment will soon unveil their own standardized measure of the effectiveness of in-game advertising. The new system works much like Nielsen’s TV and in-theatre ratings systems by measuring ad exposures rather than product sales (Banerjee 2004). Many experts believe that a universal measurement system is the last key step in making in-game advertising an acceptable and reliable ad medium.
Wireless Marketing

According to the Mobile Marketing Association (MMA), mobile marketing is defined as “a unique, complex, mix of technologies, business skills, and marketing expertise.” As people become more comfortable with, and reliant on digital communications and mobile phones, mobile marketing becomes more important. The MMA warns that the ability to grasp the significance of mobile marketing is critical for today’s marketers.

In the U.S. alone there are 1.7 million wireless cell phone subscribers, sending 2.5 billion text messages each month. In fact, there are now more cell phone subscribers worldwide (1.4 billion), than there are landline phone subscribers. Mobile phones are becoming a primary means of communication, not only for voice, but also for many digital services including email, digital photos, and Internet navigation. Worldwide there are nearly 350 billion text, or SMS messages, sent through mobile networks each month, with 15 percent of these being classified as commercial or marketing messages (Becker 2005).

When it comes to wireless technology and marketing capabilities, the U.S. lags considerably behind other nations, especially the British. Brits use their mobile phones for many functions outside of basic communication means. About 65 percent of Americans have cellular phones as opposed to 90 percent of Brits. In addition, a study by Emarketer.com showed that only one third of U.S. cell owners regularly send text messages as compared to 80 percent of UK users. European cell phone carriers make 10-12 percent of their revenue from various forms of mobile entertainment, while U.S. carriers make just three percent in the same category. One reason for the enhanced
technology overseas is that Europe and Asia have a higher data penetration, a more established high bandwidth network and a higher volume of mobile messaging. Nextel is currently testing a 4G bandwidth system which should eliminate problems that have plagued the 3G system, making adoption more seamless in the U.S. (Bloom 2005).

Although mobile marketing is advancing much faster in European and Asian markets, few marketers are including it as a major component of their marketing plans. Despite the fact that advertisers aren’t spending a huge percentage of their budgets in mobile marketing, most recognize the growing importance of mobile phones as a medium, and want to begin educating themselves about how to best use this new media device, and trend that is also advancing quickly in the U.S.

Andrew Swinland, Starcom Senior Vice President, believes that mobile marketing will soon become as important in the U.S. as it is in the European nations. “The key thing is how people define the phone and our research shows a big shift,” he says. “It’s tipped from being seen as a voice-to-voice tool to being a portable communications device.” (Bloom 2005). Swinland believes that this shift is the first critical step towards integrating wireless advertising into our society.

The current standard in mobile marketing is SMS, or short message service. These are basic text messages that are limited to 160 characters or less. A newer development called MMS, or multimedia message service, allows pictures, sounds, and even video on some phones. This is the format that allows camera phones to send and receive pictures. Although it currently has a low penetration, it is predicted to grow 178 percent in the next two years, reaching a total of 68 million subscribers in the U.S. alone (Sanjabi 2004).
Cell phone technology has become so advanced that experts are now calling it the “third screen” in the media world. Mobile phones now have the technology to provide entertainment and information just like a TV or PC screen. In essence, it has the ability to become a mobile television device. Ad Age writer Alice Z. Cuneo (2004), calls mobile devices an “electronic Swiss Army knife” for consumers and marketers because it offers the technology and tools necessary to move from a simple cell phone signal to wireless fidelity.

Mobile marketing is increasingly important in reaching the Millennials because of their technological savvy and comfort level with using lightspeed media. SMS, or text messaging, took a huge leap in 2004, mainly because of a strong showing among teenagers and young adults. A Benchmark Report by M:Metrics (2005), reported that 68 percent of those ages 18-24 sent and received text messages, the highest consumption rate among all age groups. Advertisers have been quick to catch on, with several recent SMS marketing campaigns aimed at the youth demographic.

Elizabeth Arden used the wireless element in Fall 2004 to boost the launch of their new fragrance, Curious, endorsed by Britney Spears. Arden used a $5 million campaign that began with banner Internet ads on website popular among teenage girls. The ads encouraged users to provide their phone numbers, and those who did received a voice mail message from Spears promoting the TV ad that was scheduled to run on MTV. This campaign was one of the first integrated marketing efforts to include all three media screens.

According to Arden, their first delve into the wireless market was a successful one. The company reports that after only five weeks on the market, Curious became the
No. 1 selling fragrance in the U.S. at more than a dozen major department stores nationwide (Cuneo 2004). "We were reaching these girls in their space," says Ron Rolleston, Executive VP-Marketing and Creative Director at Arden. "It was the spark that set a fire."

In fact, mobile marketing is especially effective among teenagers because they have a very high usage of mobile devices, especially cell phones. By the end of 2005, 77 percent of current teenagers will own a cell phone, with teens becoming the largest segment of cell phone users by 2010. Teens are driving sales in ringtones, game downloads, mobile wallpaper, and picture sharing between cell phones. Advertising Age writer Karim Sanjabi (2004), calls mobile a "must do part of your marketing mix" in 2005 if your target market includes teens.

Verizon Wireless has been quick to actively pursue the high-growth youth market by marketing their instant messaging service, making MSN Messenger and AOL's IM service now available on their mobile phones. Verizon launched a $10 million campaign aimed at teens last spring because they are the most likely to be aware of and want the service. "They've become heavily reliant on these services on their PC's, and so they're primed for these services on cell phones," says Linda Barrabee, analyst at Yankee Group (Cuneo and Sanders 2004).

A common misconception about mobile marketing is that advertisers will use Global Positioning Satellites (GPS) to text special offers to customers who walk by their stores. In reality, wireless marketing can be used in several different ways, with the main objective of increasing brand awareness and acquiring new customers. In addition, mobile marketing has a variety of uses. These include: generating a customer profile opt-
in database, driving up attendance at events or store visits, improving customer loyalty, increasing revenues, and creating and improving relationships with customers.

In fact, the main objective behind mobile marketing is to gain and retain consumer confidence, rather than bombarding them with unwanted messages. Users are not receptive to being continually solicited for products and services on their mobile devices if they have not requested it. Companies need to gain permission from users in order to effectively communicate through wireless media. They also must obtain information on how and when they should contact the user, as well as what information can be delivered (Lot 21, 2001).

The most successful use of mobile marketing to date is cross-promotions tied in with various interactive television shows. Experts call this the “American Idol” effect (Dohetry 2004), originally used by AT&T during the first season of the popular television show. Viewers were encouraged to help pick the winner of the show by “texting” or calling in their votes after the show each week. The SMS capability gave viewers the ability to place their vote without spending hours trying to get through on the regular phone lines. The show experienced extreme success and helped SMS to become a widely used form of communication.

Among AT&T subscribers that voted in the American Idol contest, over one third had never before used SMS. A total of 7.5 million SMS messages were sent throughout the duration of the show. These included not only SMS votes, but also sweepstakes and trivia contests (Dohetry 2004). Because of the success of American Idol, numerous imitators have began to use SMS to allow their viewers interactive technology.
SMS is a relatively simple and inexpensive marketing medium that can be extremely successful when linked with a broad, traditional advertising campaign. Because of its success with interactive television, SMS is most commonly used with text-to-win competitions, and in opinion polls, voting, and games linked to interactive TV. It is often used as a promotional tool, though it rarely stands alone in a marketing campaign.

Costs for mobile marketing are still low on a per-customer basis, but prices vary widely depending on the mobile service and depth of the message. The easiest way to start a mobile campaign is to sponsor existing mobile content which consumers already access from their mobile devices. These sponsorships range in price from a $15 to $60 CPM. Other options are to develop a custom application, game, or utility for a mobile device that ties into the core business and marketing strategies of a particular company or product. Prices for these forms of more in-depth content can start at $10,000 and climb into six figures (Sanjabi 2004).

One important concept that marketers must realize when planning a mobile marketing campaign, is that wireless media is not limited to cellular phones. They can range from common cell phones, to Apple iPod’s, to hand held planning devices like PDA’s and Blackberries, and can be divided into three categories: communication, entertainment, and business. Surveys have shown that business users are most interested in devices that let them check their email on the go, while SMS and Instant Messaging systems are most important to teen users. Mobile marketing campaigns can be custom designed according to the demographic segment that marketers are trying to reach.
Personal Video Recorders (PVRs) and Satellite Radio

While PVRs aren’t necessarily a form of new media, they do serve as a major threat to traditional forms of advertising, particularly television commercials. The introduction of PVR machines, or personal video recorders, has made recording from TV easier. Users no longer have to worry about setting timers and buying video cassettes to record their favorite television shows. However, the PVR also allows users to skip through all commercials contained within a program. This idea has been a threat to the industry since they appeared in 1999, but until now there have been relatively few users.

Currently there are about 3.5 million PVR homes, but by the end of 2006 it is estimated that the number will reach nearly 25 million American homes, though this number is limited since most households have the need for only one PVR (Britt 2004). Today’s youth are growing up with PVR and Apple iTunes, systems that let them choose what they want and when they want it. Advertisers have begun to worry that the youth of the Millennial generation are missing their ads at their most impressionable ages, and starting a downward trend of traditional media use.

A study done recently by TiVo, an American provider of PVR machines found that users watch the programs they have recorded about 75 percent of the time, and regularly skip about 60 percent of commercials (Britt 2004). Another study done in 2002 by CNW Marketing Research proved that although PVRs do allow users to skip commercials, there’s no reason to believe they do so at higher levels than they already do in TV and print, by switching channels or blocking out ads altogether.

The study found that 43 percent of respondents who said they regularly skip ads also said that they already strive to ignore commercials when they watch TV, making the
skip rate 66 percent higher when TiVo enters the picture. The study also found that fast food and credit card commercials were the most ignored categories, being skipped at a rate of 94 percent. Beer commercials were skipped the least at 33 percent, followed by ads for prescription drugs at 47 percent (Moore 2002). Prescription drugs have a low skip rate because many people are genuinely interested in new drugs available, and many consumers watch beer commercials because they tend to be more entertaining.

However, TiVo users who do not skip ads have an enormously higher percentage of buying. For example, perhaps one-half of one percent of viewers who see an automobile ad on broadcast television will actually end up buying a car within the year. Among TiVo users, 90 percent of viewers who watch car ads end up buying a car within the same time frame (Moore 2002). By allowing viewers to only watch ads that interest them, advertisers have the possibility to eliminate wasted audiences, reaching only consumers who have an interest or are more likely to buy.

Few media or advertising executives will admit publicly that PVRs are causing big problems in the advertising industry. Many justify avoidance of advertisements by reporting that many viewers already skip ads by leaving the room or channel surfing. PVRs have made ad avoidance more obvious and measurable, but in terms of audience members reached, little will really change. As PVRs become more popular and more viewers are able to skip commercial messages, advertisers will refuse to pay the premium prices for broadcast television ads (Britt 2004).

Some marketers believe that PVRs will eventually force networks and cable channels to become content providers, allowing users to purchase shows on a pay-per-download basis. Yet others believe that the television industry must adapt and utilize the
new forms of technology. What this translates to for advertisers is that messages must be
even more highly targeted to make sure they attract the interest of the target audience.

"Commercials are going to have to be more entertaining and think through whether
people are scanning," says John Carey, of Greystone Communications (White 2001).

"More advertisements will go into programs, whether with product placements or
sponsorships."

As television audiences have fragmented over the last several years, radio has
been the one format that remained steady. However, the recent popularity of satellite
radio has begun to threaten the reliability of radio audiences. Although precise
subscriptions are difficult to track, current projections place it at about 4 million, with
tremendous growth potential.

While the signal from local radio stations usually can’t travel more than 30 or 40
miles, satellite radio can broadcast a signal from more than 22,000 miles away, allowing
users to make long trips without continually switching stations. Often called digital
radio, this service provides near CD-quality music, uninterrupted by commercials or
static. The radio systems have been installed in some car models for several years now,
and portable models are now available from a variety of electronics stores (Bonsor 2005).

Satellite radio is extremely appealing to consumers with a long daily commute.
Most formats offer diverse programming and most channels are completely commercial
free, meaning that many consumers are totally avoiding commercial messages during
their drive time. The service is portable, and provides specific content for about $10 per
month.
Currently, 60 percent of consumers who buy a new car equipped with satellite radio sign up for it, meaning that close to 20 percent of U.S. automobiles have this service. And, like TiVo users, the millions of people who have satellite radio are genuine enthusiasts, unlikely to return to conventional radio programming (Cole 2005).

Despite the high adoption rates, it seems that satellite radio is yet to have an affect on traditional radio. Arbitron has yet to report declines to listening levels to local stations, and still tends to ignore satellite radio as a threat.

According to Don Cole (2005), media strategists need to start thinking about how to adapt their radio strategies, as this problem will soon be difficult to ignore. Traditional radio has lost nearly 20 percent of its audience in the last five years, causing serious problems for smaller advertisers who use radio as their primary media concentration. In fact, Cole predicts that the loss of audience will be even greater in radio than it is in TV. He advises that media planners start to seriously consider media alternatives before radio loses even more ground as a predictable advertising medium.

Summary

Over the last few decades new media concepts have forced media planning and buying to undergo an extreme transformation. Though it is still a billion dollar industry, advertising no longer enjoys the simplicity and excitement that it did in the golden era. Except for a few events that still draw a large audience, it has become almost impossible to reach a mass market. As television viewership continues to decline, media buying will become more strategic, including sales promotions, direct marketing, and public relations in nearly every media plan.
Millennials and the generations to follow will continue to expect more from their media choices, especially in the form of interactive, lightspeed media. Companies who are quick to adopt these new media techniques will be the first to attract today’s vital youth market. The responsibility for advertisers lies in creating innovative ads and adapting their media strategies to include these new media concepts.
Works Cited


