

A Call for Mobile Advergaming



AN INTERVIEW WITH:

Eberhard Schoneburg
CEO/Chairman, Artificial Life
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A serial entrepreneur, Eberhard Schoneburg has started more than 20 successful companies in Europe, Asia and the US.

Mr. Schoneburg is currently CEO and chairman of Hong Kong-based Artificial Life, a broadband mobile content and technology provider of games, business applications and TV to mobile phones. The company has won numerous awards, including Best Mobile Entertainment Service at the 3rd Hong Kong Digital Entertainment Excellence Awards and Best Mobile Game at the 2004 Ericsson Mobile Application Awards.

Advergaming, or advertising within mobile games, is growing. Mobile gaming is growing. The number of mobile gamers worldwide jumped from 155 million in 2007 to 204 million in 2008, and it is estimated to reach 500 million by 2012. Ad-supported mobile game spending by gamers (to download games) increased from \$97 million in 2007 to \$200 million in 2008.

Mr. Schoneburg argues that, to reach the young, tech-savvy audience, online marketers had better pick up the smartphone.

eMarketer: What kinds of brands are best positioned to benefit from advergaming?

Eberhard Schoneburg: It really depends on what types of games you're using. There's a huge variety of games, and each of these particular games has different target audiences, so the advertisement options will vary very strongly. Typical mobile game players are somewhere in their early or late teens. Usage is less when they get into their twenties, and much less in their thirties. I think in the West or in America, 30 is pretty much your barrier for most of the games that we play, unless it's very simple and casual, like Tetris. Advertisers looking to reach teens could do well to target mobile games.

eMarketer: Besides reaching a young target audience, what is the appeal of mobile advertising for marketers?

Mr. Schoneburg: First of all, look at the global distribution of about 1.4 billion Internet connections and PCs in the world compared to the more than 3.5 billion cell phones. This gap will be even wider in the future, with an estimated 5 billion phone users in 2012. This is where the market goes—not toward PCs, laptops or online, but to mobile.

The second reason is that mobile phones are becoming PCs. The iPhone is an extremely powerful device, so I would focus on these high-quality, high-level devices on which you can have extremely cool games with integrated advertisements that allow people to interface with your brand in a cool and exciting way. People will play with your brand for hours; you cannot get better exposure.

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eMarketer: Do you have any examples of brands or advertisers that had good results when they used adver gaming through Artificial Life?

Mr. Schoneburg: A lot of people are doing this with us. There are some very obvious players, like the sports brands. The people that usually do in-game advertisements for console games also go into mobile games. There is a trend that the games are getting more and more similar to console games. Companies, from the Nikes of the world to gadget producers, are doing advertising in these games.

eMarketer: What are some adver gaming “don’ts” that brands should be aware of?

Mr. Schoneburg: This is a very interesting question. People get annoyed when they watch TV and commercials pop up and break the flow of what they’re watching. A lot of advertisers go exactly the same route on the phone. They disrupt game play so people can watch the advertisement message. I think that’s a very bad idea.

Phones are much more capable now and you can do any kind of interaction, so it would be much smarter to integrate the advertisement into game play itself. For example, car companies could have a virtual car driving in the game. If you’re a brand like Nike, characters that play in the game could wear your clothing and shoes. Gamers wouldn’t mind this, because the ad makes sense and doesn’t interrupt what they’re doing.

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eMarketer: The bulk of Artificial Life's business so far has been in Asia and Europe, but you're looking to expand business in the States. How does the mobile content audience in the US differ from those in other regions?

Mr. Schoneburg: In the West, the mobile gaming age group is younger. In Asia, older people in their 30s, 40s and even 50s have a tendency to play. They also start at a very early age—way younger than the West. The intensity with which they play is usually much higher than in the West — people play games while they commute 2 or 3 hours a day. It’s just a different culture that’s very innovative and interested in technology and gadgets. That’s not the case yet in the US.

eMarketer: What about differences in handsets and carriers?

Mr. Schoneburg: If you look at the US phone market, essentially only the iPhone is a mainstream phone that’s no

longer just for making phone calls, but for also browsing the Internet and playing games. But 80 percent of the handsets in the market don't enable users to do any of that.

People in Asia are more likely to have a smartphone and have had them much longer. In Japan, 3G networks were established in 2001. It's just starting now in the US. The networks are better in Asia in the sense that they are more mature.

The quality of the content is also different in Asia. A content company like us produces and distributes content to carrier networks. If you look at the US compared to Japan, we have to give Japan between 8 and 12 percent of the revenue produced. In the US, however, it's about 50 percent or more.

It's very difficult for a content company to produce expensive content if they have a problem recouping their investment. The result of it is that the content out there in the US, especially before the iPhone was launched, was just very simple and low-quality.

eMarketer: What are your predictions for mobile and mobile marketing in the next year?

Mr. Schoneburg: Mobile marketing is definitely increasing as phones are getting better and better with more capabilities and memory and better graphics.

eMarketer: What's next for Artificial Life?

Mr. Schoneburg: We're the pioneers in 3G and 3D applications, and now we've gone a step further with live TV. We're using the mobile phone to interact with live TV shows.