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In-Game Ad Network Scores \$25M

Morgenthaler and GE/NBC Universal's VC unit back IGA Worldwide.

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By **Ken Schachter**

Solidifying gaming's rise as a nascent advertising medium, the new investment arm of GE/NBC Universal co-led a \$25 million funding round with KTB Ventures for IGA Worldwide, the companies announced Thursday.

IGA works with companies like Burger King, MTV, Intel, Jeep, and wireless carrier T-Mobile to insert advertisements into games published by market leader Electronic Arts as well as Valve, Atari, Codemasters, and others.

Greg Blonder, partner at Morgenthaler Ventures and a member of IGA's board of directors, said that as audiences migrate away from television and newspapers, the potential of computer games as an advertising medium is barely being scratched.

EMarketer forecast that spending on in-game advertising would almost double between 2007 and 2011, going from \$1 billion to \$1.9 billion.

Based on the hours gamers spend playing their favorite titles, the advertising market already should be worth \$10 billion, Mr. Blonder said. "The reason it isn't is because in a medieval fantasy game, there isn't an obvious place to put advertisements."

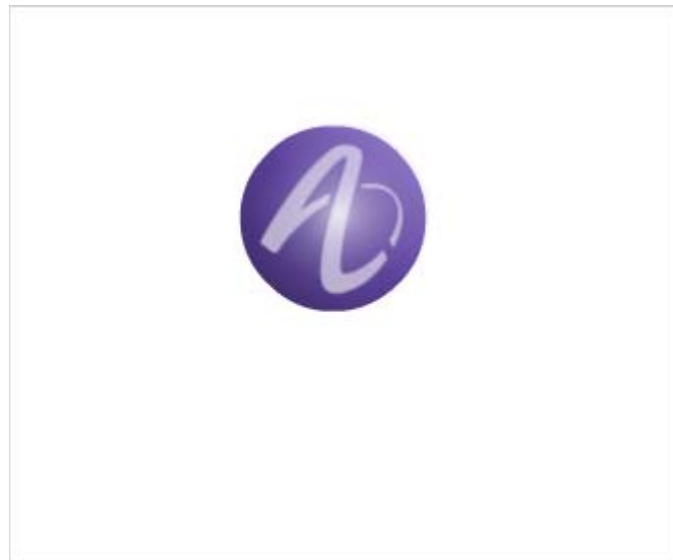
In-game advertising companies seek to place commercial messages in context. For instance, in a racing game, IGA could alter the make and model of the car, change the brand of the energy drink, or insert a message on a billboard.

Justin Townsend, IGA's chief executive and co-founder, said the funding would be used to expand beyond the current European outposts of the U.K. and Germany and to open offices in Korea, Japan, and China by the end of the third quarter.

The investment by Peacock Equity, the \$250 million fund founded by GE/NBC Universal, brings a conglomerate with old-media TV and movie interests into a digital business still in its formative stages.

Mr. Blonder said many VCs believed old media companies would take forever to understand the power of the Internet. Now that they've grasped the importance of new media, they become "partners rather than prey," bringing institutional knowledge of advertising.

Three-month-old Peacock Equity made its first investment in April, putting \$3 million in Adify, a creator of customized ad networks.



Having a heavyweight like GE/NBC Universal in its corner is comforting for 3-year-old IGA as it faces competitors Massive, acquired by Microsoft in 2006, and Adscape Media, bought by Google in February, Mr. Townsend said.

Also joining in the series B round for IGA were prior investors Morgenthaler, Easton Capital, Intel Capital, and DN Capital.

About 10 percent to 15 percent of games now take advertisements, Mr. Townsend said, but the number should increase as publishers of top-tier titles increasingly seek to defray the \$20 million to \$30 million in average production costs per game.

Mr. Blonder said IGA's technology could be extended beyond games into meeting, training, and education tools.

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