

# Pitching It To Kids

On sites like Neopets.com, brands are embedded in the game. Is children's marketing going too far?

By DAREN FONDA  
GLENDALE

Chirita isn't feeling well. A furry green creature with four legs and a pair of wings, she has come down with a case of the Neomites, a common affliction in the mythical online world of Neopia. The Neopian pharmacy sometimes stocks a cure, but it's pricey, costing about 330 Neopoints. What's Chirita's owner, Wendy Mendoza, 10, of Atlanta, to do? One way to rack up the points would be to play any of the 110 free games on Neopets.com, trying activities like bumper cars or chemistry for beginners. Then again, Wendy could also score by hunting for secret images in the site's virtual McDonald's, trying her hand at the Lucky Charms Super Search game or watching cereal ads in the General Mills theater—earning 150 points a commercial. Wendy visits the site several days a week. "I like playing on it better than watching TV," she says.

Wendy may not realize it, but in Neopia she's the target of the latest twist in children's marketing—a burgeoning and increasingly controversial business. In the past decade, corporate America's annual budget for advertising products and services to kids has more than doubled, to an estimated \$15 billion. The pot of gold: \$600 billion in family spending that children under 13 are said to influence, along with \$40 billion in pocket money that they spend on purchases from candy to clothes, an amount projected to hit nearly \$52 billion in 2008, according to the market research firm Mintel. As many a besieged parent can attest, children's marketing seems to be raining down everywhere, from the Internet to video games to coloring books. And with kids increasingly splitting their time among all manner of media, not to mention extracurricular activities, "marketers are targeting children younger and younger in every way they can," says James McNeal, a children's marketing consultant based in College Station, Texas.

Is the ad parade getting out of hand? Consumer advocates say it is, claiming that an explosion of ads for junk food, aimed primarily at children, is fueling the obesity epidemic. (The food industry's lobbying group, the Grocery Manufacturers of

America, denies that claim, saying there's no definitive data linking advertising to obesity.) Another issue: that the lines between advertising, entertainment and educational materials are increasingly blurring, as you may have noticed if you have seen schooling materials like the Pepperidge Farm Goldfish Counting Fun book or toys like the Play-Doh George Foreman Grill. "It's unfair. Children don't even know they're being advertised to," says Susan Linn, author of *Consuming Kids: The Hostile Takeover of Childhood*.

Even professionals devoted to marketing seem concerned about some of the brand-building tactics. According to a poll of youth marketers conducted by Harris Interactive earlier this year, 91% of those surveyed said that kids are being pitched to in ways that they don't even notice, and 61% believe that advertising to children starts too young. At what age do they think it's O.K.? A majority of the pros in the poll think it's appropriate to start advertising to kids at age 7, even though they feel that children can't "effectively separate fantasy from reality in media and advertising" before age 9 or make intelligent purchase decisions before 12. A recent study by the American Psychological Association confirmed that children under 8 have a tough time distinguishing ads from entertainment. But don't expect those findings to kill the product-placement party. "Kids' marketing just grows as businesses realize that children have more purchasing potential than any other demographic," says consultant McNeal, who advises FORTUNE 500 firms on marketing policies.

Sites like Neopets are taking the old concept of product placement to sophisticated new heights. With 11 million users, 39% under 13, Neopets is one of the Internet's most popular and "stickiest" destinations. Users visit on average for 3½ hours a month, according to Nielsen/NetRatings. But unlike sites that generate ad revenues by inserting pop-ups or banners along a page that are easily identified (and ignored), Neopets offers marketers what company CEO Doug Dohring calls "immersive

## RETAILING

**Brand-Name Field Trips**

The field trip for the 24 kindergartners from Woodside Avenue School has all the noisy excitement of the old-fashioned kind, with kids tumbling out of a school bus eager to see, hear and touch things outside their classroom. But the field-trip destination is not the usual venue, like a museum or zoo. It's a Petco store. Tour guide Jennifer Rohan, manager of the Ramsey, N.J., pet-supply emporium, lets the kids pet a quivering chinchilla (\$129.99, food and shelter sold separately), squawk at a taciturn macaw named Oscar (\$2,399.99) and find Nemo the clown fish (\$14.99). An hour later, the children are back on the bus clutching handout Petco-logo Frisbees and debating the merits of dogs vs. Hermit crabs.

The retail field trip is part education, part marketing, and all the rage. Groups of children from schools, summer camps and Girl and Boy Scout troops are taking organized tours through establishments ranging from Sports Authority stores to Saturn dealerships to Krispy Kreme outlets. With school budgets squeezed in recent years, these free excursions are in some cases replacing trips to more traditional destinations. While companies are eager to polish their community image, critics say the real goal is to turn kids into brand-loyal consumers.

Leading the boom is Field Trip Factory, a five-year-old Chicago outfit founded by former marketing consultant Susan Singer that designs educational tours for corporate clients. Bookings have nearly doubled in 2004, to 12,000. One big reason: cost. The trip to Petco cost \$5.25 a child for the bus ride, says Woodside teacher Stacey Melhorn, while a zoo visit can cost \$15. "When it's free, it's easier for everybody," says Melhorn. Says Dan Fuller, director of federal programs for the National School Boards Association: "In a perfect world, schools would have the funds to send kids to where they feel is the most educationally appropriate."

Dominick's supermarket pay Field Trip Factory up to \$300,000 a year to fill the void. On a recent tour, second-graders from Universal School, a Muslim school in Bridgeview, Ill., learned how sugar-laden kids' cereals are placed on lower shelves. Li Schiavitti, 75, the store's star field-trip guide, advised them to reach instead for something healthier—like Toasted Oats, Dominick's house brand.

It's subtle, but the message sticks. At stores where kids received free samples of V8 Splash Fruit Medley, it became the top-selling flavor, according to Field Trip Factory. In another case, sales of children's toothpaste shot up 18%. "These field trips are nothing more than a way to clobber a captive audience of impressionable children with ads," says Gary Rushkin of Commercial Alert, a watchdog group. But Abbie Levi, whose daughter Sarah asked for a hamster after attending the Petco field trip, says simply, "Parents have the power to say no." Easier said than done.

—By Lisa Takeuchi Cullen

With reporting by Leslie Whitaker/Chicago

advertising." The company integrates ad messages into the site's content, creating "advergames" for clients based on a product-or brand-awareness campaign. The company then tracks site activity and provides demographic and usage data to customers, offering a window into kids' purchasing habits.

At the Neopia food shop, for instance, Uh Oh Oreo cookies, Nestle SweeTarts and Laffy Taffy candy (along with unprocessed foods) have occasionally been available to buy with Neopoints to feed virtual pets. Kids can also win points by watching cereal ads or movie trailers in the Disney theater. And they can fatten their Neopoints accounts by participating in marketing surveys. Universal Pictures recently ran a survey on the site to assess and build awareness of a forthcoming kids' movie, *Two Brothers*. Another pitch on the Neopets home page: click through to a website called Dealtime.com and compare such consumer electronics as Sharp and Sony camcorders, getting to know brands in the process.

"It's sneaky," says Clancy Mendoza, mother of Neopets fan Wendy, who forbids her daughter to take the surveys. Even with the more playful features, the marketing messages are seeping through. After Wendy tried a Neopets game with a tie-in to Avril Lavigne's new CD, she told her mom she wanted the music. After an advergame's launch, says Neopets' Dohring, surveys have shown double-digit increases in the number of users who have tried a product embedded in the game.

At company headquarters in Glendale, Calif., posters of Neopets dolls decorate the walls, and dozens of young workers sit in cubicles programming and creating content for Neopia. Speaking in a conference room, Dohring emphasizes that branded content is less than 1% of the site's total. "We're not trying to be subliminal or deceive the user. We label all the immersive ad campaigns as paid advertisements."

But critics say websites like Neopets enable advertisers to skirt TV-industry practices that alert children to commercials with bumper announcements like, "Hey, kids, we'll be right back after these messages." Neopets Inc. press materials declare that advertisers can embed their brands "directly into entertaining site content." The practice isn't illegal, and Dohring says Neopets complies with the Children's Online Privacy Act, which bars companies from collecting personal information from Internet users under 13. Still, by embedding brand characters into games and activities, the ad "just goes unnoticed by the child, much less the parent," says McNeal, a critic of such practices. Democratic Senator Tom Harkin of Iowa plans to introduce a bill this week that would reinstate the Federal Trade Commission's ability to issue rules on unfair advertising to children (the ad industry now abides by voluntary guidelines).

Whatever one's opinion of it, the Neopets franchise is expanding. Neopets Inc. has revenues of more than \$15 million annually and is turning a profit after just four years in business, says Dohring. Neopia now exists in nine languages, including Chinese (Dutch is next). The company is growing with a line of merchandise, including stuffed animals, toys and a trading-card game. Fueling that growth is Dohring's advertising pitch, which has attracted some major, if reticent, clients. Disney, General Mills and Universal Pictures, contacted by TIME to discuss their business with Neopets, declined to comment. Asked about

McDonald's association with the site, Kathy Pyle, the fast-food company's director of kids' marketing, said, "McDonald's wants to be integrated into the online experience. We have been doing it for entertainment purposes, not directly selling." McDonald's, however, is offering Neopets toys in Happy Meals, cross-promoted on the site.

Internet advergaming isn't limited to Neopets. Food manufacturers in particular are luring kids to their brands with similar offerings. Postopia.com, a popular Kraft Foods site, offers a full arcade of games, some (like the Pebbles Quarry Adventure) linked to sweetened cereals and drinks like Kool-Aid. Look closely at the bottom of the home page and you can see the fine

print: "We, at Post, want to let you know that this page contains commercial advertising where we mention products we sell."

Plenty of other corporate initiatives are under way to grab kids' attention. WalMart has been drawing kids (and their parents' pocketbooks) to its stores with a marketing concept called "retailainment." In one version last fall, kids visiting Wal-Mart received Bob the Builder coloring books and could go on a "safety scavenger hunt" that led them to the toy, hardware and infant-and-toddler departments. What's going on? Preschoolers are now considered a "highly marketable segment for certain products," says a recent report by MarketResearch.com. Though you probably already know that if you have a toddler in the house.

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