

UCLA and Versus Systems Survey Suggest Rewards is the Next Evolution of Effective Digital Advertising

*Academic Survey Confirms Video, Banner Ads Losing Effectiveness;
Daily Game Play Across All Demos Approaches the Majority,
Even as Many Players Don't Identify as Gamers*

Los Angeles, December 14, 2018 – Versus Systems, Inc. ("Versus" or the "Company") (CSE:VS) (OTCQB: VRSSF) (FSE:BMVA), together with the MEMES Center at UCLA's Anderson School of Management recently conducted a broad and comprehensive study of people's reactions to advertising and interactive media to analyze media consumption patterns and brand engagement across different media types and demographics. The study's more than 88,000 respondents provide a base from which to analyze statistically significant samples of respondents across all age, race, gender, and socioeconomic status.

"We're very proud of this survey and we are excited about the data, said Jay Tucker, Head of UCLA MEMES. "UCLA MEMES will be working with our students, faculty and industry partners to share insights that will help industry leaders craft the next generation of experiences and partnerships."

Gaming is Massively Popular with Consumers

The study shows that people, from a variety of demographics, play games regularly, with 50% of all respondents having played a video game (mobile, PC, console, etc.) in the last week, and 41% of people having played a game in the past 24 hours. However, there is a large gap between how people consume interactive media and whether they self-identify as gamers with only 13% of respondents describing themselves as gamers. These results suggest that gameplay is rising in every demographic and that this gap in identification is a meaningful one. Among women survey-wide, 56% played in the last week, and 47% played in the last 24 hours - with only 11% identifying as gamers.

Millennials, born from 1981 to 1996, and the next generation, born after January 1, 1997, are the closest to combining their frequent gameplay with self identification as a gamer. 65% of millenials played in the last week, 49% played in the last 24 hours and 47% self-identify as a gamer; while in Gen Z, 65% played in the last week, 50% played in the last 24 hours, and 43% self-identify as a gamer.

The two groups reporting the highest gameplay frequency are millennial males, with 72% playing in the last week, 54% in the last 24 hours and 65% self-identifying as gamers. They are followed by Gen Z women, with 67% playing in the last week, 51% in the last 24 hours and 40% self-identifying as gamers.

With daily frequency of play growing in every category and nearing the majority of all Americans, one key implication is that even those advertisers that are recognizing the value in advertising in-game may be underestimating how large and how diverse the gaming audience really is today.

Traditional advertising models may struggle going forward

Advertisers have long looked to leverage digital and interactive media to engage young people who are turning away from traditional TV programming. For those advertisers, the survey found strong supporting data with respect to audience size, diversity, and engagement with consumers. From the survey results, it's clear that traditional digital advertising methods are no longer an effective way to engage consumers. Only 3.6% of survey participants reported that they always watch ads all the way through. In fact, 45% of respondents reported that they frequently or always actively avoid ads by "hitting the X", changing channels, closing out the app, or leaving the room. Banner ads were rated the least popular advertising type, followed by product placement within content and 30 second ads inserted throughout the content.

"There are some concerning numbers in the survey for some traditional advertising models," said Dr. Sanjay Sood, Professor of Marketing at UCLA Anderson School of Management. "At the same time, this survey seems to validate industry-wide efforts to develop new solutions and systems for reaching consumers. It also suggests new areas for research around the efficacy of both new and existing advertising models."

What's next? Real World Rewards and More Personalized Content

[Newzoo estimates](#) that there are over 2 billion people playing games on console, mobile, and PC but it's clear current traditional and digital advertising methods are failing. The UCLA MEMES survey asked about behaviors around existing ad types, but also reviewed what might motivate respondents to engage more with games and interactive media than they already do. The top two answers to questions regarding engagement offers key insight into areas of potential future growth within interactive media.

When asked "what would make you play games more?" the number one answer was "winning real things that I want when I achieve things in-game," with 30% of all respondents listing it as their top response, outperforming other responses such as "if the games were less expensive" at 18% and "my friends playing the same game(s)" at 11%. "Winning real-world prizes" also scored highest when respondents were asked to quantify their likely level of increased engagement, with 42% of respondents answering that prizes

would make them watch/play either “more” or “a lot more” - establishing winning prizes the top response in both of the top categories.

It may not only be advertising that needs to change in order to draw in more viewers. The number two answer to questions of what would make a viewer watch more, or play more, was “if more games/more shows were made for people like me,” with 24% of respondents selecting it as their number one answer. Drilling down on this response across demographics suggests potential for content creators to reach out to large markets by crafting new narratives or including new heroes that are more representative of a wider audience.

“We were thrilled to work with UCLA and the UCLA Center for Management of Entertainment, Media, and Sports on this research,” said Matthew Pierce, CEO of Versus Systems. “It shows what many in media industries knew, which is that traditional advertising models may not translate to more interactive forms of entertainment. Fortunately there are solutions to keeping content exciting and engaging - solutions that may work for advertisers as well as content creators. We just need to innovate - developing new ways to give audiences what they want.”

Takeaways from the study's findings:

- UCLA and VS surveyed over 88,000 participants, producing statistically significant samples of respondents across dozens of demographics.
- Daily active gaming is nearing the majority: 41% played a game in the past 24 hours, even if only 13% of respondents self-identify as “gamers.”
- New methods of advertising are necessary for interactive media: 45% frequently or always actively avoid ads with only 3.6% watching through.
- “Winning prizes” outranked “playing with my friends” and “if games were less expensive” as the number one answer to “what would make you play/watch more?”
- Millennials, and those born 1997 onward, were even more likely than others to prefer prizes to other engagement strategies.

For more information on Versus Systems', visit www.versusystems.com or visit Versus Systems official YouTube channel at <https://youtu.be/3cjqr1uA0s0>.

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About UCLA Anderson MEMES Center

As the leading center for business thought leadership in media, entertainment & sports, The Center for Management of Enterprise in Media, Entertainment and Sports (MEMES) provides the academic foundation and relevant industry perspective to manage and thrive in an increasingly complex business environment. UCLA Anderson is the first top tier MBA program to offer an Entertainment Management Specialization, and the program's curriculum is designed to blend theory and practical application. The Center hosts an annual Pulse conference focused on innovation in media and sports, as well as case

competitions for MBA candidates focused on the business opportunities associated with feature films and sports leagues and franchises. Its faculty and board of advisors is comprised of world class instructors and leading industry executives representing leading entertainment franchises, top brands, and sports teams in the US and abroad. For more information, please visit: www.anderson.ucla.edu/centers/memes.

About Versus Systems

Versus Systems, Inc. has developed Winfinite - a proprietary in-game prizing and promotions engine that allows game publishers and developers to offer in-game prizing across various platforms including mobile, console, PC games, and streaming media. Brands pay to place products in-game via Winfinite, and gamers compete for those prizes. For more information, please visit www.versussystems.com.

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