



Connecting with people

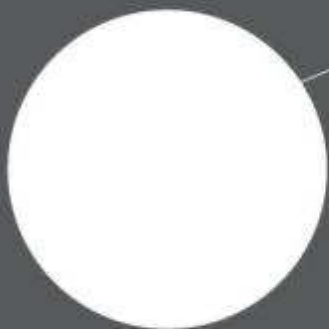
Trends in advertising

September 2013

TRENDS
& FUTURES



WHAT'S IN THIS REPORT?



1. BRIC markets driving growth

2. A tipping point for mobile

3. Native advertising

4. Memeverting

5. Adapting to multi-screen
behaviour

6. Connected TV

7. Wearable Technology

IF YOU ONLY HAVE A MINUTE...

- Global ad spend is predicted to grow by 4.5 % in 2014 and 10-11% in the BRIC markets . The UK ad industry is now back to 2007 and it is predicted to grow by 5% in 2014.
- Online will be key to drive ad spend across all markets. The mobile advertising market will almost double by end of 2013 as mobile internet use booms.
- The online advertising industry is also looking for less intrusive formats that better engage with consumers, such as native advertising - which matches both the form and the function of the user experience in which it is placed.
- The rise of connected TVs will enable advertisers to combine the emotional resonance which TV affords with the engagement that online content enjoys. Demographic and behavioural targeting will come to TVs in the next 3-5 years, helping to make content and ads even more relevant.
- Wearable Technology also has the potential to change the game for marketers in the next few years. Wearable Technology will become a new advertising platform, although the biggest opportunity for marketers will be in the data generated by these devices.

1. BRIC MARKETS DRIVING GROWTH

The UK ad industry is now back to 2007 levels after hitting £17b in 2012 – and it is predicted to grow by 5% in 2014.

BRIC's ad spend is showing a huge increase. Each country is innovating in different ways but share the same theme: massive growth.

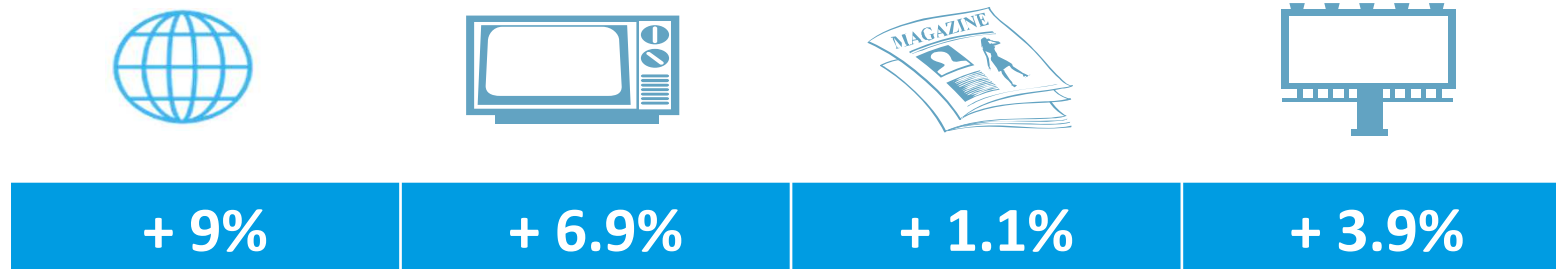




UK ad spend is set to grow 5% in 2014...

- UK ad spend hit £17bn in 2012 – the first time since 2007 and it is predicted to continue growing in the next two years.
- **Digital** and **TV** make up the majority of ad spend in the UK and will be the main drivers of growth.

Predicted growth in 2014 by media



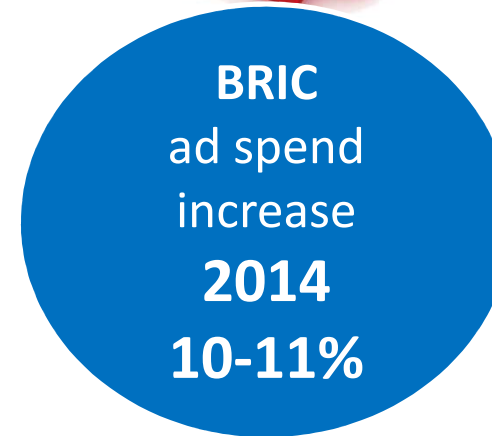
- Advertising as part of **Video on Demand** is set to grow by 33% in 2014, facilitated by the growth of **internet-connected devices**.

Source:

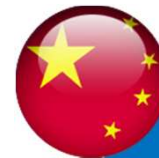
Advertising Association (AA) quoted in *The Guardian*
IAB website



...while BRIC markets will increase ad spend by over 10%



Up 11%



Up 7.9%



Up 11.4%



Up 12.3%

Predicted
growth in
2014

Source: Carat



Online will be the key force driving ad spend in Brazil and Russia



- Brazil is the **world's fifth largest online market**, with 78.5 million people reported to have access to the internet and more mobile phones than people.
- Currently online advertising represents less than 15% of total ad spend, but this is tipped to change as advertisers are **increasingly using social media and mobile channels to reach their target audiences**.
- Sao Paolo passed the 'Clean City Law' which could spread to other cities, banning: billboards, posters, bus ads, so innovation through less conventional channels will become a necessity (online /guerrilla marketing).



- Audience share for online is due to outpace TV by the end of 2013. **Digital advertising** in Russia **continues its fast growth** for the 3rd year in a row: online advertising spend increased by 30% in the first half of 2013. Ad budgets of daily deals sites (i.e. Groupon and similar) as well as local services providers are **shifting from search and traditional media towards social networks**.
- Ad spend on TV, radio and outdoor advertising expenditures also increased, but to a smaller extent.



TV remains the main media in India and China but this could change in the next couple of years



- Media in India is becoming **more and more interdependent**: often TV channels use print to reach out to their audience and digital uses TV to communicate with its target, looking to increase engagement.
- Unlike other markets, **print is still the main media in India**, accounting for 45% of total spend, followed by TV (38%). As in all BRIC markets, **digital is growing rapidly** – 30% year-on-year on spend, but still only represents 6% of the market.
- However, this could change soon as **TV advertising on news channels is cut from 30 mins per hour to 12 mins**. This is significantly impacting advertisers' revenue, forcing them to look at other channels, such as social media and mobile.



- China is already the **world's third-largest advertising market**, and it is **poised to nearly double**, reaching more than \$70 billion by 2016. Television remains the largest single category (40%) of ad spending, although advertisers are increasingly looking into other channels, as **TV prices are expected to rise by 23% due to inflation**.
- **Micro-ads** (on tablets/smartphones) will see a steady increase as smartphone penetration continues to rise. Expect more impulse/convenience purchases.

2. A TIPPING POINT FOR MOBILE

- In the UK, 52% of the population have a smartphone, creating a huge opportunity to deliver real time, in-the-moment messages.
- The mobile advertising market in the UK will grow by 90% in 2013 as mobile internet use booms, presenting a c.£1billion opportunity.





As smartphone ownership grows and more consumers spend more time on their phones...

...this audience becomes increasingly valuable to advertisers

- **Smartphone ownership in the UK has nearly tripled in 3 years**, going from 20% in Q2 2010 to 52% in Q2 2013.
- The **average UK smartphone user spends nearly 2 hours a day** (119 minutes) on their smartphone, including 24 minutes a day browsing the web and 15 minutes on social networks.
- According to IDATE, the number of **people accessing the internet via mobile devices will overtake the number using fixed-line connections** by mid-2014.
- In line with this growth, the **UK market for mobile advertising is predicted to increase 90% in 2013**, going from £526m in 2012 to nearly £1b by end of 2013.



And although mobile is set to grow massively over the coming years, 1 in 5 businesses don't have a mobile strategy in place. The biggest reasons for this are lack of budget (48%) and lack of time (46%).



But the growth of mobile advertising is not just about more ads...

...it's about the sophistication of them

Smarter targeting

Mobile geo-location: allows us to identify a user's location and deliver relevant and contextualised ads based on their location and time of the day.

McDonalds can customise banner ads based on time of day and location, so potential customers are tempted with Sausage McMuffins or Big Macs depending on context.

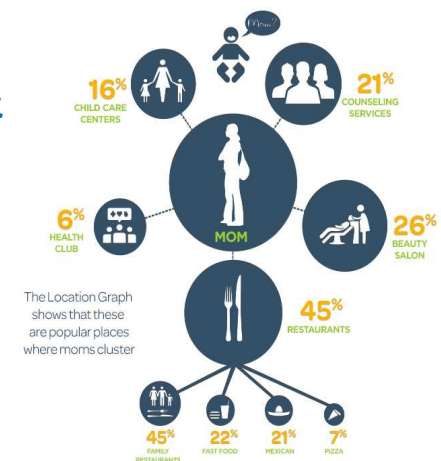


Mobile geo-fencing: targets users based on a set distance from a location of interest (i.e. store) and only consumers inside the geo-fence are served the ad. This can be very useful to drive traffic to store.

Best Buy geo-fenced campaign: when users are nearby a Best Buy location, the geo-fence is triggered, prompting an SMS alert to the user, which includes an offer.

Location graph: uses big data and machine learning algorithms to assign audience profiles based on past and present locations, combining that information with demographic data, creating a profile of each user.

This allows advertisers to target very specifically: i.e. mums within a certain distance that go to beauty salons and health clubs.





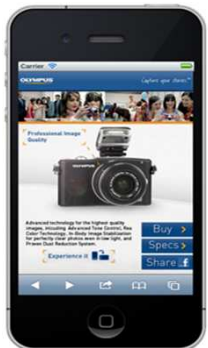
Advertisers are also looking into producing better creative

...that appeals to and engages with consumers

The use of **rich media**, **touch screens**, **accelerometer**, **mobile apps** and **improved smartphone functionality** are enabling advertisers to produce more creative and engaging campaigns.

“Not only have we witnessed an explosion in mobile advertising but we’ve seen numerous international brands looking for mobile specific creative”

Oli Roxburgh, Managing Director, Mobile 5



Olympus “Captures Your Stories”

Olympus used **rich media to create an ad unit with a dynamic photo reel**. The photos gave consumers a 360-degree view of the camera and by clicking through to a landing page, consumers could experience the camera’s functionalities.



Oreo “Twist, Lick, Dunk”

Oreo created a **mobile game**, “Twist, Lick, Dunk” to engage consumers. Users are not only playing the game, but also seeing adverts and unlocking Kiip rewards. The game now has 50K daily active users.



Actually, mobile advertising is dead...

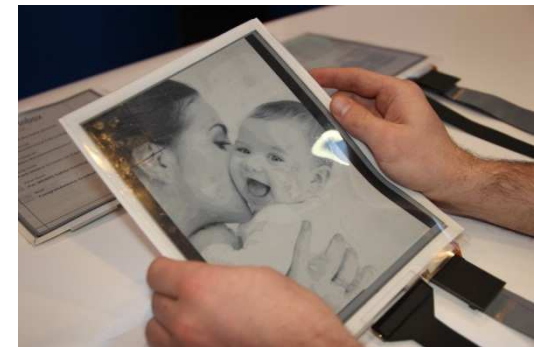
...long live smartphone and tablet advertising!

Smartphones and tablets are very similar (same OS, memory...) but in one **key aspect they differ: screen size, which is shaping behaviour**. Users behave and respond very differently depending on which of the two devices they are using, which is key when designing advertising strategies.

Tablet advertising is still in its early days, but it is already performing better than smartphones in sectors like fashion and travel in terms of Click-Through-Rate.

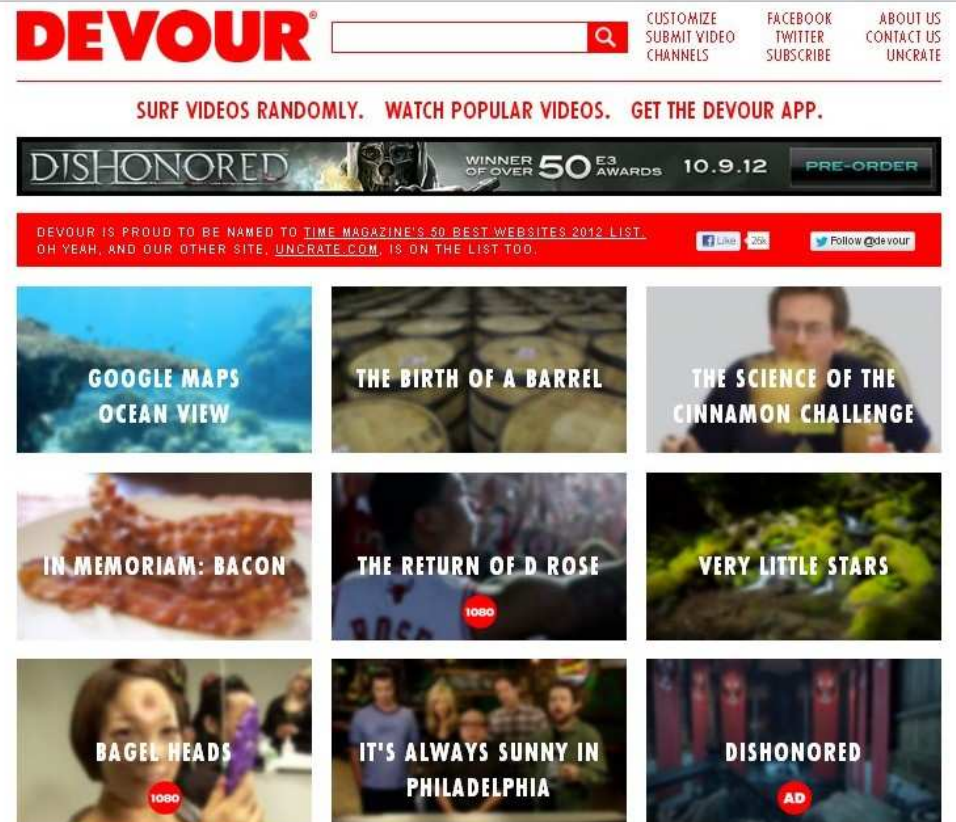
We expect to see a number of innovations in the next couple of years that will provide great creative opportunities for tablet advertising, such as:

- **Glasses-free 3D:** 3D mobile screen technology which will enable advertisers to produce 3D adverts
- **Paper tablets:** tablets thin and flexible as sheets of paper
- **Haptic technology:** turning touch screens into "feel" screens



3. NATIVE ADVERTISING

- The online advertising industry is looking for less intrusive formats that better engage with consumers.
- Native advertising goes beyond traditional display formats, matching both the form and the function of the user experience in which it is placed.





The future of display advertising is native

With Click-Through-Rate below 1%, native advertising has emerged as a promising alternative to traditional banner advertising, looking to increase engagement rate and improve user experience.



Native advertising:

Matches the surrounding website or other content in which it appears, instead of just placing ads framing the content.

Seeks to be a seamless part of the content being consumed, looking to deliver a message and tell a story, without it feeling and looking like an ad.

\$3 billion will be invested in native advertising formats by 2016 in US



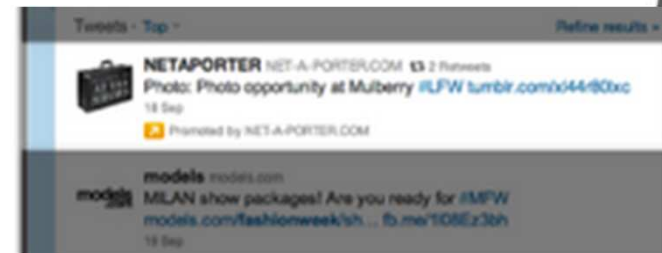


Think native and get creative...

...with the multiple possibilities of native advertising

The main social media platforms have embraced the native ad format

Promoted tweets: tweets purchased by advertisers who want to reach a wider group of users or to spark engagement from their existing followers.



Facebook Sponsored Stories: messages coming from friends about them engaging with a page, app or event that a business has paid to highlight so there's a better chance people see them.

Spotify Branded Apps and Playlists

enable brands to create unique shareable playlists.

BuzzFeed Sponsored Image Galleries

compelling image content, crafted into "sponsored stories" for brands.

4. MEMEVERTISING

- The rise of banner blindness, ad-blocking technology and streaming services that allow users to skip ads are making it more difficult for brands to reach their audiences.
- We are seeing more and more brands turning to internet memes to stand out and get their audience's attention.



The power of memevertising

An '**Internet meme**' is a word, phrase, expression, iconic image or recognisable reference **popularised amongst online communities**.

Internet memes are exactly what good advertising should be: **clever, memorable, easily communicated** and absurdly **contagious**.

More and more **brands** have been trying to **incorporate memes into their marketing**, in order to create compelling and more interesting advertising.



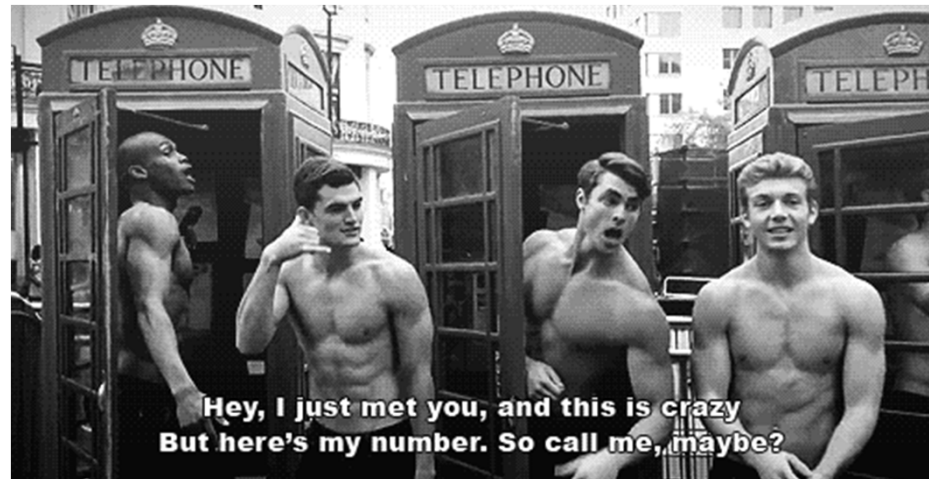
Memejacking: a brand piggybacking on a popular meme and making it a part of their own marketing campaigns.

Memescaping: a brand creating an entire meme from scratch.



How to leverage memes for a successful campaign

- **Align with the original meme:** ensure it sticks to the original meme's format, style and includes the same components.
- **Make sure it fits with your brand and audience:** memes can be a great way to reach a young audience but memeverting might not be suited for all sectors (i.e. financial services).
- **Try not to overly commercialise it:** the brand needs to get across but putting the brand logo on a meme without a reason may not work.



**Abercrombie & Fitch 'memeverting'
using Call Me Maybe**

5. ADAPTING TO MULTI-SCREEN BEHAVIOUR

- Watching the TV and browsing the web are not distinct activities in their own right.
- They're increasingly interlinked, which poses new challenges and presents new opportunities for advertisers.





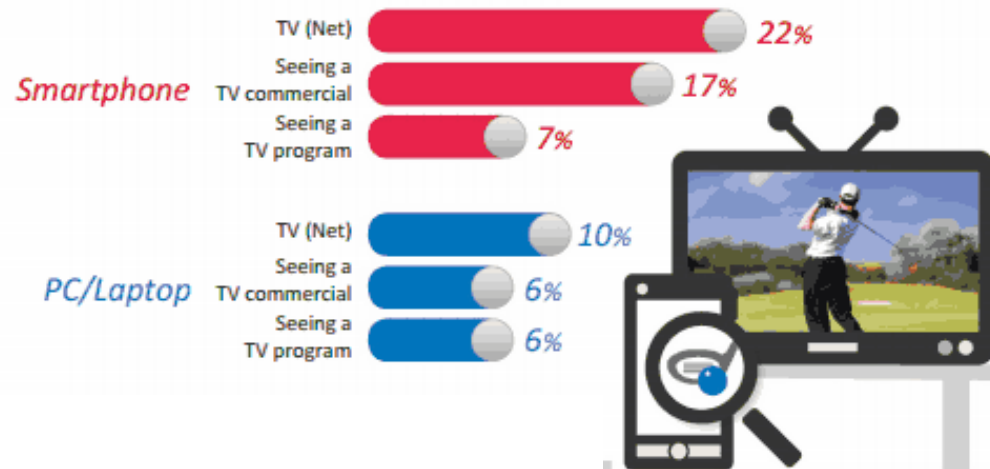
Our attention is increasingly spread across multiple screens...



In the UK two in five people currently use at least one mobile device while watching TV.

Consumers rely on search to connect their experiences across screens.

% of search occasions that were prompted by television



Source: IAB, Google / Ipsos 'The New World Multi-Screen Study'





Advertisers need to understand the underlying consumer needs which drive multi-screening

...to design strategies that appeal to these needs



Content Grazing

Grabbing a quick moment of fun or escape (e.g. checking Facebook when the ad break comes on TV). **Be a part of these distraction moments.**



Investigative Spider-Webbing

A curiosity-led moment. The user looks for content related to the thing they're currently viewing on two or more screens simultaneously. **Distribute content in threads which encourage exploration and satisfy the need to search and find out more.**



Social Spider-Webbing

Sharing and connecting, where content is a catalyst (e.g. Tweeting during live TV). **An opportunity to connect deeply and emotionally within communities.**



Quantum

Start an activity on one screen and continue it on another. This is the pathway consumers are most likely to start at work or on the go. **Introduce ideas on one screen for further exploration on another.**

Source: Microsoft Advertising, Flamingo & Ipsos OTX 'Cross Screen Engagement' (March 2013)



6. CONNECTED TV

- Despite the changing digital landscape, the way ads are currently served to the majority of TV viewers has remained unchanged over the last few years.
- However, connected TV and the rise of video on demand heralds change to come...





Television gets smarter...

Connected TVs (also called Smart TVs) can be **connected to the internet**. They give viewers access to a much **wider choice** of content and means you can switch in and out of live TV and video on demand.

Connected TVs can also be integrated with **social media and other apps**, like a smartphone is.

CONNECTED

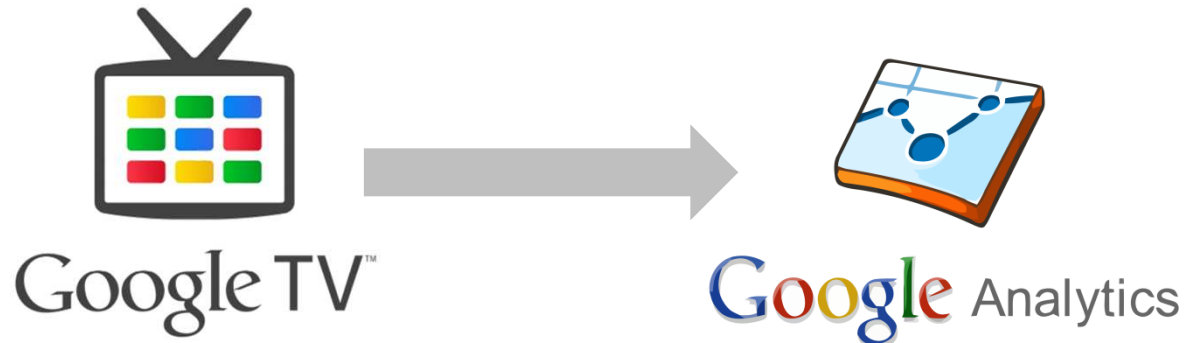
Uptake of connected TV is soaring and over half of new TVs will be Smart TVs by 2015 with the proportion rising to two-thirds a year later.



...which is great news for advertisers

The rise of connected TVs over the coming years will present a big opportunity for advertisers to utilise both the **emotional resonance** which TV affords with the **engagement** that online content currently enjoys.

By passing data from Google TV to Google Analytics, brands are able to understand what impact their advertising had on other marketing channels, such as paid search and other digital advertising.



The metrics available will get more sophisticated as more objects in our daily life become part of the **Internet of Things**:

“Internet enabled devices that can network and communicate with each other and with other web-enabled gadgets”

Technology Strategy Board - IoT Special Interest Group

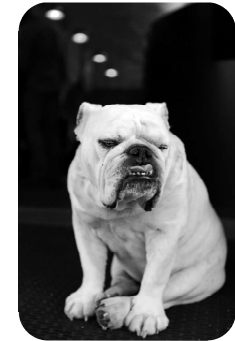




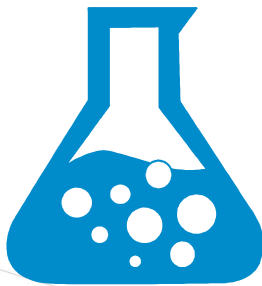
Connected TV will enable advertisers to target more effectively



Traditionally, TV ads are served to people **outside of the category**. Therefore you can expect to see adverts for cat food even if you're the world's biggest dog person...



Demographic, household and behavioural targeting will come to TVs in the next **3-5 years** which means that content will become much more relevant.



Advanced digital forms of advertising are still in an 'experimental phase' according to Deloitte 'The Future of TV advertising' study. They also highlight the **risk of targeting ads too narrowly...**

“

*One airline targeted their campaigns so narrowly that they were **only really advertising to existing customers***

”

7. WEARABLE TECHNOLOGY

- Since Google presented their Glasses last March, there has been a lot of buzz about Wearable Technology.
- The combination of Wearable Technology, data and mobile interfaces have the potential to change the game for marketers.





The next frontier for personal computing: the human body

Wearable Technology is not new, but recent innovations enabled developers to create **truly smart devices with ubiquitous connectivity**. The rapid adoption of smartphones and tablets means that the **environment is ready for small, highly portable mobile computing products**.



Wearable Technology will enable us to gather data from our bodies and **quantify ourselves**. Wearables are set to completely change how we currently see our relationship with information and technology.

From headgear and glasses to fitness bands and smart clothes, **the health and wellness segment of wearable technology is tipped to boom**. And as technology advances, monitoring and diagnostics tools will continue to develop alongside.



Wear your tech!

Smart Watches

The Pebble connects to your mobile via Bluetooth, allowing you to receive **notifications about incoming calls, text messages, email notifications, calendar alerts, Facebook and Twitter messages**, all right **on your wrist**.



Fitness wearables

The FitBit Flex is a bracelet that tells you the **number of steps taken, distance travelled, calories burned, hours and quality of sleep**, syncing your health data to your smartphone. Jawbone Up and Nike+FuelBand offer similar functionality.



Glasses

Google Glass is not an extension of your smartphone or tablet, it is a whole new gadget in itself that can **perform many tasks without you ever moving your hands**. It takes point-of-view **pictures, records video, answers questions you ask, sends messages, translates**, gives directions...





What does Wearable Technology mean for advertisers?

- The biggest opportunity for marketers will be in the data generated by these devices, which will enable brands to **take targeting to a new level**, based on people's health, fitness, location and activities. *For example, a fitness brand may send a targeted push notification to people who work out, rather than those who read fitness magazines.*
- Wearable Technology will allow customers **in store** compare products instantly in a similar way they can online, with special offers appearing before their eyes.
- It will provide **more platforms to engage with consumers** in the social space. Apps that exploit the potential of wearables to create a better user experience can become very successful.
- Wearables also represent a **new advertising canvas**. Google has already registered a patent for 'Pay-per-Gaze', outlining how advertisers could be charged according to the number of views an ad receives while wearing Glass.
- It has the potential to help brands **optimise storytelling** and be able to judge the emotional impact of stories on people. *Disney is trialling Magic Band, a bracelet with a chip that replaces tickets and that can be used to drive a narrative around Disney parks.*

Privacy concerns will be the main challenge to overcome, so it is key that issues around privacy are tackled now and it is entirely clear how our personal data could be used.



TRENDS & FUTURES

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