

Outlook 2015

LET'S GET INTIMATE

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ISSUE 03

Hello.

Welcome to the IPG Media Lab's 2015 Outlook. Every year, we round up the ideas that animate us: the market forces, new technologies, and consumer shifts that are changing the ways we evaluate, buy, and create media.

It is now eight years after the announcement of the original iPhone. We live in a time where more than two billion people walk around with super-computers in their pockets. Where a person is, what they're doing, and even who they are is wrapped up in these devices.

It's our position that "here and now" media is the most effective that you can buy. And in our mobile-saturated culture, it is closer than it has ever been. But with highly contextual media, we impose higher standards on ourselves: it's a lot easier to deliver the "wrong" message at the "right" time and place.

In this report, we explore the evolving, increasingly intimate world of contextual media placement. And we dig into the challenges and opportunities that marketers will face in 2015 and beyond.

For those of you keeping score, our report kicks off with a quick look at what we did and didn't get right in Outlook 2014. We then move on to explore a handful of ideas that are radically reshaping the media landscape. While it's important to think about what is guaranteed to happen in 2015, we are also exploring territory that we expect to bear fruit over the next several years.

Have a look and please reach out with comments, questions or retorts at @ipglab or www.ipglab.com. We'd love to hear from you.

David Rosenberg & Chad Stoller, Managing Partners, IPG Media Lab

2014, A Year in Review.

Looking back at 2014, we got some things right, and some things... well, close to right. Our theme, “Engineered Serendipity,” was built around advances in computing, mobile media types, and generational shifts all adding up to smarter, more contextual, more valuable marketing.

ANTICIPATORY COMPUTING

WHERE WE WERE

“...anticipatory computing is no longer scratching the surface. It’s blowing down the doors. Letting information come to you before you have to look for it is going to become the new normal — think media that gives you ideas to shift your plans based on everything from weather to where to get brunch.”

WHERE WE ARE

The foundation for anticipatory computing was laid, but there’s still room to grow. In 2014, we saw smart-device makers advance new ecosystems that are paving the way for predictive media experiences. Google and Apple released car and smart-home developer tools and forged partnerships that will better tie data together across people’s lives. (Though we’re still waiting on an interoperability standard for IoT devices. Without it, consumer adoption remains slow.)

DATA DOING GOOD

WHERE WE WERE

“Users will begin supplying more data, and companies are realizing that they have to be in service to consumers and let them have more control. Meanwhile, companies are finding sophisticated ways to delve into that historical social data to package it up into something that will be genuinely useful, and ultimately, more human.”

WHERE WE ARE

Major technology companies formed alliances, made acquisitions and launched products designed to extract more data. Google purchased Nest to enter the connected home, while Microsoft’s Cortana and Amazon’s Echo answered Apple’s Siri. Expect more maneuvering from tech giants and startups in 2015 in an effort to control data. Brands can participate by helping consumers manage data and providing useful insights into how they can improve their lives.

NOTIFICATION NATION

WHERE WE WERE

“Brands will need to present messaging with immediacy and without delays, as well as display an understanding of contextual relevance and value. Developers and brands will need to pack a ton of value and information into glance-worthy bites in the form of an easy-to-read UI, and at precisely the right time.” There will soon be a consumer age of enlightenment when they start to wonder where all of this data is stored and how it will be used.

WHERE WE ARE

Big Data has become smaller: it’s contextual and relevant, and offers personalized insights and experience. From Google Now to Apple’s iOS 8 application widgets, data is being crunched into small and individualized applications. Both primary mobile operating systems are also letting developers pack far more information and interactivity into notifications. Look for devices like Ringly and the Apple Watch to expand the notification ecosystem this year.

GENERATIONS Y & Z

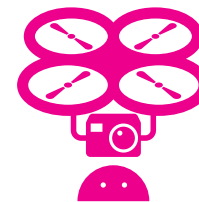
WHERE WE WERE

“With lives lived online, Gen Z’ers are managing their ‘privacy settings’ — so keep out. Teens want to be ‘social,’ but it’s more about doing so on their own terms and experimenting. Photos represent an authentic visual cue to illustrate a more real version of life.”

WHERE WE ARE

Younger generations continue to disrupt the marketplace. 2014 saw substantial growth for messaging apps such as Snapchat, Kik, and WhatsApp, acquired for \$22 billion by Facebook. The “Cord Nevers” are dragging TV into OTT: 14% of broadband households in the U.S. do NOT have a pay-TV subscription in 2014. Instead, they opt for OTT services like Netflix or Amazon Prime. In response, linear TV providers like CBS and HBO, and platform providers like Sony and Dish’s Sling TV have unveiled standalone OTT services aimed at younger audiences.

2015, What's the Big Story?



We've heard about the importance of supporting mobile over the last few years. Making second-screen experiences. Ensuring campaigns are mobile-friendly. Those days are over.

In 2015, mobile is no longer something to support. Mobile is everything. Mobile is an absolutely ubiquitous platform. It's no longer a second screen.

In fact, calling the mobile device a "screen" completely ignores its real impact.

More so than any computing device to date, the mobile phone has become an essential part of our lives, a phantom limb. Ninety percent of 18-29-year-olds cop to sleeping with their phones. This should come as no surprise: our phones hold everything, from our Instagram photos to our Spotify playlists to our dating and private messaging apps to our banking information. Their sensors track our movements, our exercise routines, and our voices.

And this is just the beginning. In 2015, we're finally seeing the next wave: a series of intensely personal, mass-market computing and media experiences, leveraging our homes, our cars, and our bodies, all built on top of the mobile device. We're in the early days of an era of Intimate Computing, one in which people's lives and their mobile devices are now completely intertwined.

With these connections come **The Internet of Thrills**, a direct emotional response to the personal interactions with your phone. It's that surge you feel when you see retweets flying in or when you beat your buddy in fantasy football. Now, as homes, cars, and even our wrists (thanks to wearables) "come online," we can expect new levels of emotional connection with technology and media.

But with these emotional rushes comes the ever-present risk of becoming inundated – and we're reaching a point of **Peak Distraction**. With so many notifications, updates and Likes, it's easy for people to get lost in, and ultimately shut out, what is becoming white noise. This is a potential disaster scenario for marketers, who risk getting lost in the shuffle.

Thankfully, all of these new, more personal technologies and media experiences result in actual, **Measurable Intimacy**. We're getting real-time data on what is working, what messages are being received and which are being ignored. Location-based technologies, the increasing prevalence of connected devices, and the rise of deeply personal interfaces and curation filters mean we know more about our audience than we ever have before.

And all of this sets the stage for some interesting adventures in marketing. Over the past few years, brands have explored – with varying degrees of success – how to "act human." Now that we're entering a world in which marketers can engage people in more personal ways in their most private spaces (their cars, their homes), we expect to see a fair bit of **Next-Level Awkwardness**. There's a big difference between contextual awareness and contextual sensitivity, and this year we're going to see some epic "egg on your face" moments. But we're also going to see a host of more personal, more deeply engaging brand touchpoints than ever before.

So let's dig in.

¹ "Do You Sleep With Your Cell Phone?" *Pew Research*. September 13, 2010.

The Internet of Thrills



WHAT THE EXPERTS SAY:

"New forms of delivering content and media will be game-changing. Imagine knowing when you're close to an item on your shopping list and how long the checkout line is."

— Steve Cheney, Co-Founder and SVP of Business Operations, Estimote

You may not realize it, but you and your phone are emotionally connected. Just glancing at your phone can cause your heart to beat faster, your pupils to dilate, and your sweat glands to activate.

Dr. David Greenfield, assistant professor of psychiatry at the University of Connecticut School of Medicine, recently explained the effects that the phone can have on the human brain, as part of a study on texting and driving.

"We compulsively check our phones because every time we get an update through text, email or social media, we experience an elevation of dopamine, which is a neurochemical in the brain that makes us feel happy," said Greenfield.

But it's not just the thrill of being acknowledged by a friend on social media. Plenty of other emotions are tied to advances in mobile technology. There's a feeling of comfort when your Nest thermostat knows exactly what temperature your house should be when you come home from work. You feel secure when you get a notification from Apple Pay that the charge you made a second ago went through. You experience a sense of heightened reality when your Philips hue lighting system responds in real time to the program on your TV.

It used to be that the only emotion that technology triggered was frustration, when it didn't work. Now we're seeing negative emotions like anxiety when we're separated from our phones for extended periods of time.

We're certainly not yet at a point where these emotional connections are on the level of a face-to-face interaction with another human. The reality of interacting with your phone as an intelligent being, akin to the movie *Her*, is still at least a few years away. But we are seeing the first steps of this reality in products like Siri and Amazon Echo. Consumers attempt to talk to these products like they're living beings with thoughts and feelings. The products are just not quite ready to talk back in a convincing way. But that emotional bond is already being formed.

And these emotions are powerful. It's easy for marketers to leap to the assumption that emotions can be manipulated, but emotional connections do not come easily. There needs to be value to consumers, an actual life benefit to their mobile interactions, to elicit an emotional response. Just sending a notification that a sale is going on is not enough. But what if a store kept track of the social media response on a recent outfit, found that it was positive, and shared that information with you? Suddenly that interaction would become a lot more personal. To get that emotional response, marketers need to earn it.

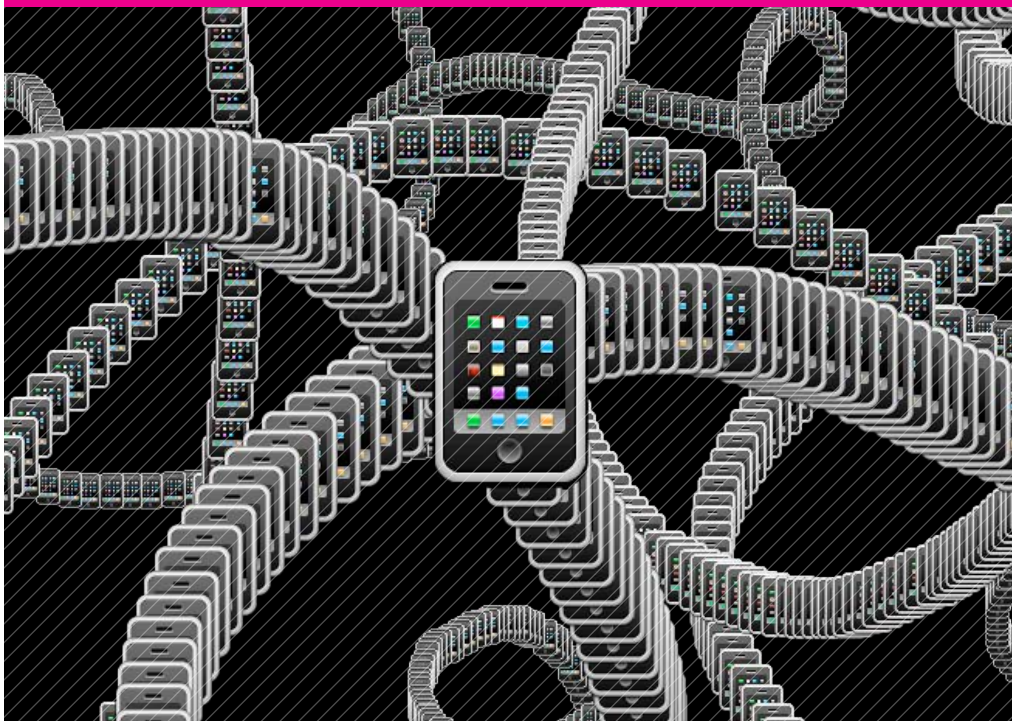
If you're looking to integrate micro-location and real-world context into mobile apps, you should take a look at Estimote's Bluetooth beacon platform.

² "Texting-While-Driving Study Likens Phone Use to Drug Addiction." *Kicking Tires*. November 6, 2014.

³ "iPhone Separation Linked to Physiological Anxiety, Poor Cognitive Performance, MU Study Finds." *News Bureau, University of Missouri*. January 8, 2015.



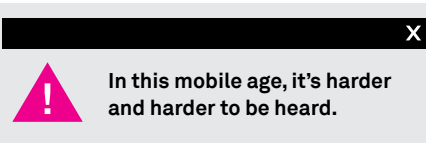
Peak Distraction



WHAT THE EXPERTS SAY:

"As an industry, we've become obsessed with certain aspects of 'who' consumers are and forgotten the fundamentals of consumer-brand interaction. Traditional media channels like television, OOH and radio succeeded in penetrating the consumer psyche by identifying and becoming a part of consumers' daily routines during those in-between moments when consumers are more receptive to distraction from the outside world. As consumers spend more time on-the-go, knowing where they are in time, space, and mind space will be key to finding opportunities to connect with them."

— Michael Provenzano, CEO & Co-Founder, Vistar Media



In this mobile age, it's harder
and harder to be heard.

Publishers and marketers have monetized every available pixel of screen real estate. In many ways, we've overmonetized, and so there is a view-ability crisis in media. According to Google, only 43.9% of ad impressions are viewable on the Web. And that's before Banner Blindness.

At the same time we're spending more time with smaller screens, compounding the problem. We each have a finite amount of attention, and that's shrinking by the day. According to a recent study, the average attention span has dropped from 12 seconds in the year 2000 to 8 seconds in 2013. (The average goldfish now has us beat, with an attention span of 9 seconds.) There's simply too much to keep track of.

Peak distraction is an inflection point where we have lost the cognitive ability to attend to anything else.

New media needs to replace something that was getting our attention, because there's no room left for additions. We must slow down, declutter, have better filters, make choices about what we pay attention to.

This affects media because we will be forced to do more with less inventory. We'll need to be smarter about when we show an ad, in what context we show it, and what kinds of filtering tools we can provide. Rather than carpet-bombing, we're looking at tactical strikes. Only the most efficiently converting ads will be fired.

xAd found that advertisers are increasingly combining location-based factors with their demographic targeting or retargeting campaigns. Ads using no location data (2% to 1%) or only zip code or city-level data (40% to 21%) were cut in half from 2013 to 2014. "Geo Precise" ads using specific behavioral or GPS data are taking over, making up 79% of ads in 2014 vs. 58% in 2013.

Media buyers will benefit from improved technology, like machine learning and combining contextual targeting factors, that helps them determine the exact perfect moment to deliver an impression. Everything else is waste and clutter, and risks banishment.

This is actually great news for advertisers and consumers. Consumers get only the ads that are relevant for them at one moment, and advertisers get the best shot at winning the consumer dollar. Everybody wins.

If you're looking for a platform to serve mobile and digital out-of-home ads based on consumer location and commute behavior, Vistar is a great partner.

⁴ "5 Factors of Viewability." *Think With Google*. November 2014.

⁵ "Attention Span Statistics." *Statistic Brain*. January 1, 2014.

⁶ "Reaching Your Audience on Mobile." xAd. May 15, 2014.



Intimacy

A confluence of media and technology trends – from new, more intimate interfaces and advanced curation filters to location-based technologies – is about to make our lives easier, enhancing our ability to measure and qualify performance.

Snapchat Stories is one such method. Rather than allowing you to hit play and passively watch a series of short videos, Snapchat Stories requires that you hold your finger on the screen for the duration of a “story.” This is deep media engagement with the content. You’re physically tied to it.

If you're looking to develop interactive videos that scale across all screens, you might consider TouchCast, whose HTML-based video platform enables rich, "touchable" media experiences in minutes.

"In a world of infinite content – where there are a million shiny attention-grabbing objects a touch away and notifications coming in constantly – it's meaningful when someone is actually spending time," Williams wrote.

Viewing behaviors themselves are also radically changing, becoming more intimate. Massive increases in smart TV and over-the-top box adoption — more than double where they were in 2012 — are enabling viewers to become programmers, curating their own hyper-personal (and increasingly binge-worthy) TV lineups.

This measurable intimacy isn't just limited to the ways we view content. Tracking tools like Bluetooth beacons and Wi-Fi sensing can help us understand how a shopper is moving through space. This data can be used to determine the effectiveness of a storefront or print campaign.



— Edo Segal, CEO, TouchCast

Next Level Awkwardness



WHAT THE EXPERTS SAY:

"The difference between a really great recommendation engine and really creepy advertising is just a matter of degrees. We like to think that the 'creepy threshold,' the place at which people start to feel uncomfortable, is a little after the point where we make great recommendations. More often than not, we're wrong."

— Tim Hwang
American Internet entrepreneur

Tim Hwang has worked with The Berkman Center for Internet and Society, The Barbarian Group, Percolate, Mozilla Foundation, Tumblr, Google, Knight Foundation, Wieden+Kennedy, Creative Commons, Institute for the Future, National Defense University, The Data and Society Research Institute, and the Electronic Frontier Foundation.

"Be human."

In the social media age, all marketers have heard some riff on this theme. As we enter the age of intimate computing, however – as we try to figure out how our brands fit into a world in which media is hyper-personal, data is everywhere, and our ability to target is ultra-precise – we'll see many new forays in "being human" by brands.

2015 is shaping up to be a year for new adventures in hyper-personal marketing. In some cases, like an adolescent making the transition to teenager, the results are going to be *awkward*.

Case in point: just last Christmas, we saw the first instance of a restaurant brand using drones to deliver mistletoe to unsuspecting diners. It was a cute, emotion-filled engagement – that resulted in a drone chopping off part of a diner's nose.

And Facebook, a master of data mining, found itself in a river of awkwardness with its Year in Review feature, in which photos from a person's history were spliced together in a fancy montage, ending with the encouraging tagline, "It's been a great year!" When a father lost his daughter to brain cancer earlier in the year and photos of her were automatically input into the montage, it made for a painful and public experience.

As we get closer to our customers, on both the physical and data levels, it's going to get easier to cross that line between contextual awareness and contextual sensitivity.

Some companies are taking steps to divorce themselves from falling into hot water with regard to customers' personal data. Apple, for example, famously removed itself from being able to remotely access data like credit card numbers used for Apple Pay, as a way to better ensure customer security.

Others will experiment with that line in interesting ways. AT&T recently announced the first scripted series designed for that most intimate of messaging applications, Snapchat. Philips hue and Syfy launched the first light bulbs that change dynamically in time with the show *12 Monkeys*.

And at the IPG Media Lab, we're experimenting with new ways to humanize location marketing. For example, imagine walking into a sports bar and having a location-based beacon ping your phone, letting you know which TV is showing your fantasy football team's quarterback. Then, and only once you've sat down, it offers to buy you a beer.

We're bullish on the opportunities for marketers in 2015 and beyond. As people's relationships with technology grow ever more personal, marketers are being given incredibly powerful tools that can be used to do great things: to better connect with people, to deliver more utility. Sure, we'll see a number of awkward missteps, but the eventual progress will be well worth it. Welcome to the era of Intimate Computing.

⁸ TGI Fridays drone delivers bloody 'mistletoe mischief.'" *CNBC*, December 9, 2014.

⁹ "AT&T to Premiere Show on Snapchat Starring YouTube, Vine Celebs." *AdAge*, January 28, 2015.

¹⁰ "12 Monkeys Television Series Will Synchronize With Hue Home Lighting." *The Verge*, December 29, 2014.



Five Tips for 2015:

We hope you've enjoyed our Outlook for 2015. We're in the early stages of a monumental era for media – an era of intimate computing. Our emotional and physical proximity to technology is getting more personal than ever before. On one hand, it will create unprecedented new opportunities for brands to get closer to consumers. On the other, it will produce a number of land mines, some obvious and others not. Here's our advice for staying on the right side of things:

1. ASK "WHY HERE?" AND "WHY NOW?"

Just because you can target someone in a car doesn't mean you should. Always evaluate the emotional context of your media buy.

2. ALWAYS PROVIDE VALUE

As media migrates from the phone to the wrist, or to the in-car dashboard, brands are going to have to work overtime to earn their place. And "value" doesn't necessarily mean "coupon." What utility can your brand provide?

3. DON'T BE CREEPY

When it comes to using personal data, there's a fine line between being useful and being creepy. Think very carefully about context before you reference consumers' data in otherwise innocuous ads.

4. "REAL WORLD" MEASUREMENT TOOLS ARE YOUR FRIENDS

Spend some time experimenting with micro-location attribution tools: Wi-Fi sensing and Bluetooth beacon programs, among others. These can help you understand your customers' offline shopping behaviors in extremely precise ways, before you try to message them.

5. SEEK PERFORMANCE

Page views aren't going away any time soon, but experiment with venues that prize higher-quality metrics (like total time spent) and that employ "lean-in" interfaces. Set your goals, and if you can't buy solutions that achieve them, push media partners harder – or come talk to us at the IPG Media Lab. We'll help you discover new capabilities.



IPG Media Lab:

The Lab's single focus is to find new ways to solve problems by applying the latest technology to marketing challenges through custom-tailored, client-led experiments. We start with talking to our clients and identifying their challenges, and then determine how to use emerging technology to solve those problems. We find successful solutions that are then implemented into the real world and utilized for all to see.

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