Internet
Advertising
Bureau
UK

Future Trends Working Group

Future Trends Volume 17:
The Evolution of Mobile

Introduction: The evolution of mobile.

Brad Moss , Online Content and Communications Assistant, IAB UK

'This is the year of mobile!' I've heard this quoted every year for the last few years. However, we've consistently lived in 'the year of mobile' because mobile is constantly evolving. I remember back in 2001 getting my first mobile phone – a Nokia 3310 – and it was wonderful. I could text my friends, play 'snake' and phone my parents. One of my friends had a Nokia 3330 – which had WAP. Even cooler!

The Future Trends council have decided to drilldown on the evolution of mobile in 2016. From Pokemon GO, to the Internet of Things and chatbots the mobile is no longer the simple, handheld device that it was.

Ellie Lenton from Rezonence talks about the Internet of Things (IoT) and how it can provide more scope and relevance for advertisers to target the consumer. Ellie talks about how IoT can also improve B2B and exemplifies with technology being used by Kimberly-Clark.

MediaCom's Pete Young comments on the fact that mobile commerce is one of the fastest growing retail channels at this moment in time – and this is only growing. However, he observes the limitations to growth and gives us some potential insights into the future.

Dan Calladine, Head of Media Futures at Carat, introduces us to chatbots. Chatbots are automated messengers who can recognise commands and provide pre-set answers. Dan argues that chatbots could be the next evolution of search and explains how.

How could we forget Pokemon GO? Initiative's Ben Walton writes about this unprecedented introduction to the world of AR for the everyday consumer. However, will it last?

Finally, Bloomberg Media's Joni Roberts shows us some sector specifics in the evolution of mobile. Joni looks at some of the major brands implementing the latest technology into some major campaigns.

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Internet of Things (IoT) – Implications for Mobile Advertising, Ellie Lenton, Account Manager, Rezonence

We are constantly searching for more information, greater entertainment and applications that make our lives easier and quicker. The opportunity to collect and exchange data autonomously between devices is enhanced by IoT to provide greater knowledge and information which can be used to enhance existing products and services. How does this fit in with advertising and specifically mobile?

Mobile devices are very personal and with the increase in ad blocking, advertisers are being forced to think about their current strategy and look to ways to add more value. IoT can aid this shift as it can provide the knowledge to personalise content and introduce the next level of relevancy thus adding a far greater benefit to consumers. However, there needs to be careful consideration in striking the balance between what consumers count as greater utility or what they see as an invasion of privacy.

The implications of IoT on mobile has potentially greater scope for B2B and performance marketing than brand. IoT is particularly effective in B2B where the information generated by IoT devices has huge implications on how business will operate, helping them become more efficient and cutting costs. For example the new Kimberly-Clark app helps facilities managers track restroom facilities and has reduced the amount of supplies used restrooms by up to 20 percent'. McKinsey has stated that for IoT 'Business-to-business applications will probably capture more value—nearly 70 percent of it—than consumer uses'. For B2B advertising hyper-targeting is key and personalised marketing is an area where IoT can help with timing and delivery. If the content by brands adds another level of personalised information to users that will save them time it will deliver much greater results. IoT will give brands instant information on where when and how consumers are using their products. This will help with performance marketing also adding additional levels of data to target users with a more relevant approach based on their activity should result in a higher quality interaction and increased performance. In retail, brands can identify what users are looking at in-store and then tailor and personalise the individual app experience based on this information. Sensitel used IoT to track shopper's location and faces to identify customers that needed help or to send personalised offers and increased sales by 5%.

On mobile user initiated content and micro payment models work well as the user is in control and there is a value exchange, the user pays a small amount for additional content or value. Custom apps would have the most potential but what implications do the walled gardens have for IoT in mobile advertising? Apple, Google and Facebook will play a key part here. They control the end relationship with the consumer and the flow of information and access on mobile. They are focused on their own eco-system and their development and benefit and this can suppress innovation as they have the final say. For example Facebook has a patent in place to be the central platform that users use to control personal home devices 'the patented technology will enable users to send control signals to multiple devices using Facebook's platform. This will help users avoid installing multiple apps for various devices. This will have significant implications for brands if users do not need to install their app to control the devices.

There is definite scope for IoT in mobile advertising if brands focus on ensuring added value to the user is the focus here and the walled gardens allow the developments to progress.

Mobile Commerce – A look to the future,

Pete Young, Group Head of Digital, MediaCom

Growth of mobile traffic

After years of analysts forecasting the year of mobile, turn of the decade really did see a step change in usage behaviour and in many markets we are now seeing mobile traffic exceed that of desktop traffic – in what has been a rapid migration from desktop to mobile. To put this in context, the graph below highlights the significant growth in mobile device usage for a within the Entertainment and Leisure sector – although this trend certainly isn't necessarily as significant as other sectors such as Travel and Finance.
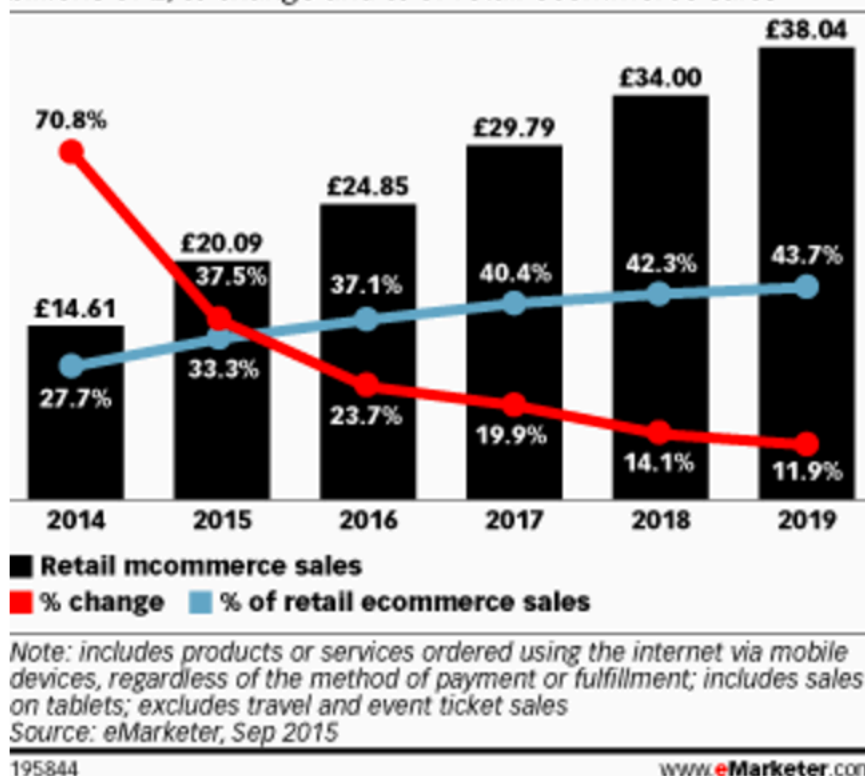

Average Sessions (%) by Device Type
Sector: Entertainment and Leisure
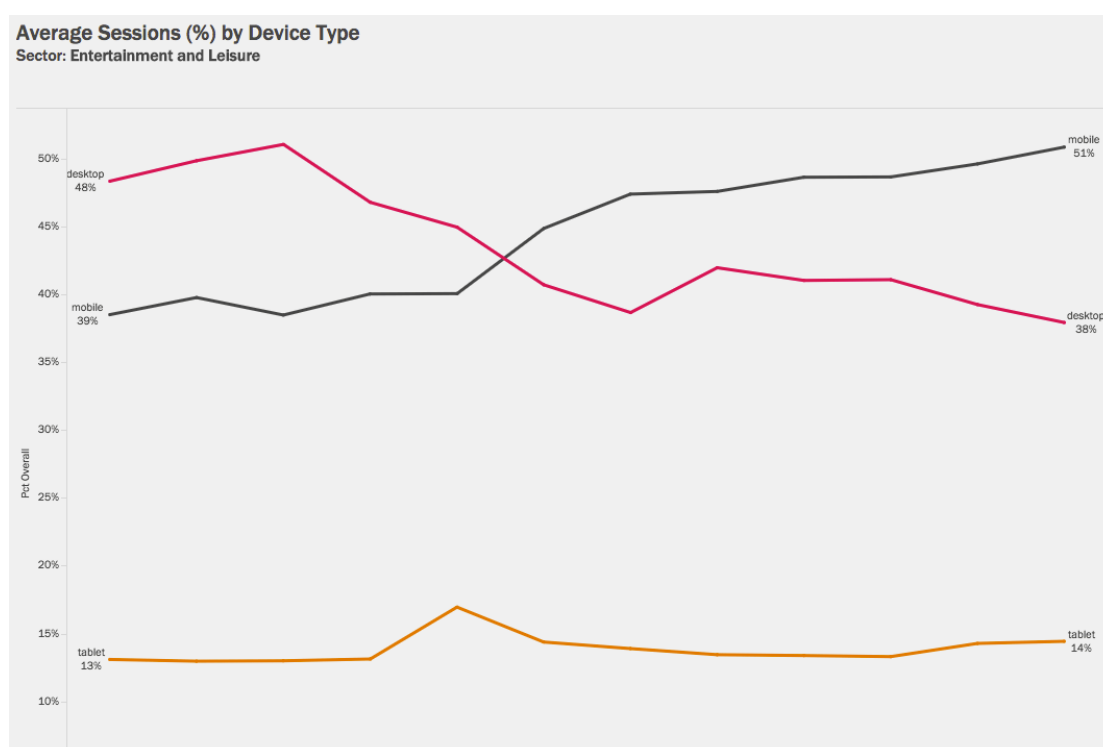
Growth of internet commerce on mobile

There is no doubting that mobile commerce is one of the fastest growing retail channels at this moment in time, and recent research from e-Marketer suggests that this growth will continue for some time to come.

At present mobile commerce accounts for around 35% of all e-commerce transactions in the UK and is expected to reach over 40% by the end of 2017. With the evolution of new features such as TouchID (on the iPhone), coupled with 4G speed, it is not beyond the realms of possibility that this figure may reach the 50% by the end of 2020.

UK Retail Mcommerce Sales, 2014-2019
billions of £, % change and % of retail ecommerce sales

	2014	2015	2016	2017	2018	2019
Retail mcommerce sales	£14.61	£20.09	£24.85	£29.79	£34.00	£38.04
% change	70.8%	37.5%	23.7%	19.9%	14.1%	11.9%
% of retail ecommerce sales	27.7%	33.3%	37.1%	40.4%	42.3%	43.7%

■ Retail mcommerce sales
■ % change ■ % of retail ecommerce sales

Note: includes products or services ordered using the internet via mobile devices, regardless of the method of payment or fulfillment; includes sales on tablets; excludes travel and event ticket sales
Source: eMarketer, Sep 2015

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Source: E-Marketer - http://www.emarketer.com/Article/UK-Retail-Ecommerce-Sales-Reach-60-Billion-This-Year/1012963

Limitations to growth

There are a number of clear limitations, which have still not been overcome at this present moment in time:

• The conversion process within the mobile landscape is still limited.

• Security particularly on mobile devices remains an issue – however this is changing as mobile becomes the dominant device of usage.

• Immaturity of the mobile e-commerce sector. Whilst it should be noted that there are some very good exceptions to that above statement, there are still a significant % of advertisers without a clear mobile advertising strategy or mobile customer journey.

• Measurement of the value of mobile. Whilst mobile usage has exploded and with it mobile visitors to sites – this doesn't necessarily translate into conversion. At present many advertisers are still struggling with attributing value to mobile display – and as such hare not translating this to spend to improve either marketing activity or the overall mobile customer journey

The Future

What is evident particularly in the mobile space is that usage behavior varies significantly between the different age groups. According to a research survey undertaken by Deloitte, the usage of mobile for many day to day activities such as shopping and banking was significantly higher within the 18-34

audience – and one would suggest this may significantly change the landscape for mobile commerce as those digital natives mature and technology evolves to overcome some of the current challenges in this space.

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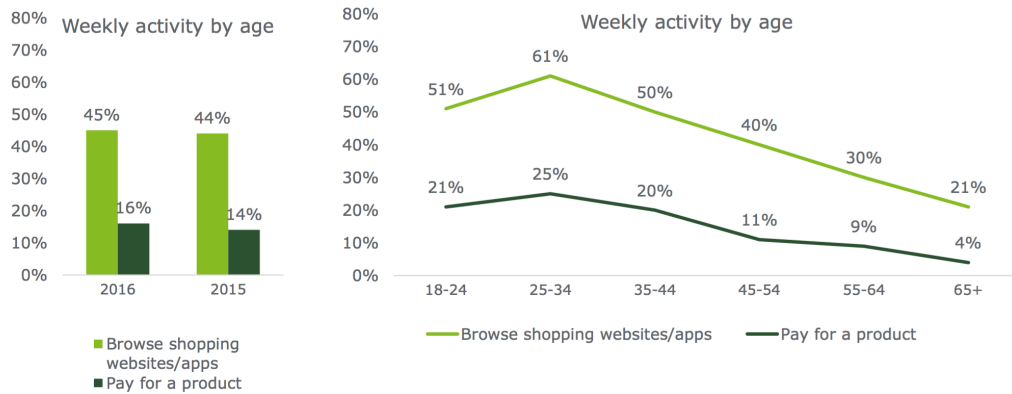
Source: UK edition, Deloitte Global Mobile Consumer Survey, May - Jun 2015, May - Jun 2016
Base for chart 1: All smartphone owners: 2015:3039, 2016: 3251
Base for chart 2: All smartphone owners in age groups 18-24: 461, 25-34: 691, 35-44: 655, 45-54: 645, 55-64: 445, 65+: 354
Note: The question in 2015 was "How frequently, if at all, do you use your phone to do at least one of these things?"
Deloitte Global Mobile Consumer Survey, 2016

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The launch of 4G I believe is a significant enabler for the mobile space. This alongside, better devices which larger screens allows a far better experience for the user and new features launched for devices such as the Apple iPhone such as TouchID increasingly allow for more secure and ultimately more user friendly interactions with mobile devices which are increasingly overcoming some of the challenges historically associated with mobile usage.

Further more advertisers are becoming increasingly savvy regarding their mobile activity. Platforms such as Google are increasingly allowing advertisers to better understand their marketing spend from initial interaction through to conversion across multiple touch points.

One of the most promising trends is the coming of chatbots

Dan Calladine, Head of Media Futures, Carat

Chatbots are automated messengers who can recognise commands and provide pre-set answers. While they're not so common in Europe yet, they are starting to see lots of traction in other parts of the world. For example Canadian messaging app Kik has now seen over 2bn messages sent to branded chatbots. Facebook only opened up Messenger to bots this spring, but already over 10,000 developers are working on them, and I'm sure all agencies are currently working on projects for clients.

There are couple of obvious uses for the bots which we're starting to see – search and commerce.

Chatbots could be the next evolution of search. When we search for something on a search engine hundreds (thousands) of results come back, but often we only need one. If it's a closed question with one definite answer – 'What time is John Lewis open til tonight?' – then pages of results serve no real purpose.

This is where chatbots could come in. In their simplest form they will take frequently asked questions and provide answers to them – addresses, opening times, simple explanations, recipes – with the skill coming in understanding natural language to work out what the question is.

Chatbots can also follow a script with different stages, and by doing this can be perfect at taking orders – as Dominos is doing at the moment with 'Dom the Pizza Bot' which allows ordering through Facebook Messenger. Simply start the conversation with the word 'PIZZA' or even the Pizza emoji, and Dom talks you through the ordering process, essentially talking you through filling in a form, deciding on the sort of pizza, crust, extras, and so on. In some ways this might be harder than filling in a form, but on mobile messaging is very intuitive.

There is of course a lot of potential for bots to misunderstand and go wrong – I couldn't get any sense out of the Starbucks 'Pumpkin Spice Latte' bot, for example, but one chatbot which is fun to try is Microsoft's Project Murphy. This is a chatbot that is takes instructions for producing composite pictures – for example try typing What if Bill Gates was a Cat?

https://www.projectmurphy.net/

The sector specifics,
Joni Roberts, EMEA Trade marketing Manager, Bloomberg Media

There are a handful of tech giants; Microsoft, HoloLens, Google with Tango/ Magic Leap, Facebook with Oculus and a cluster of startups; Magic Leap, Meta and Blippar that are exploring and experimenting with this new 'toy' to play with…but what's all the fuss about?

Let's take a look at the size of the market; will virtual and augmented reality be adopted into the mainstream as quickly as we think? We need to firstly consider the entire tech infrastructure that supports AR before we can look into the future adoption predictions.
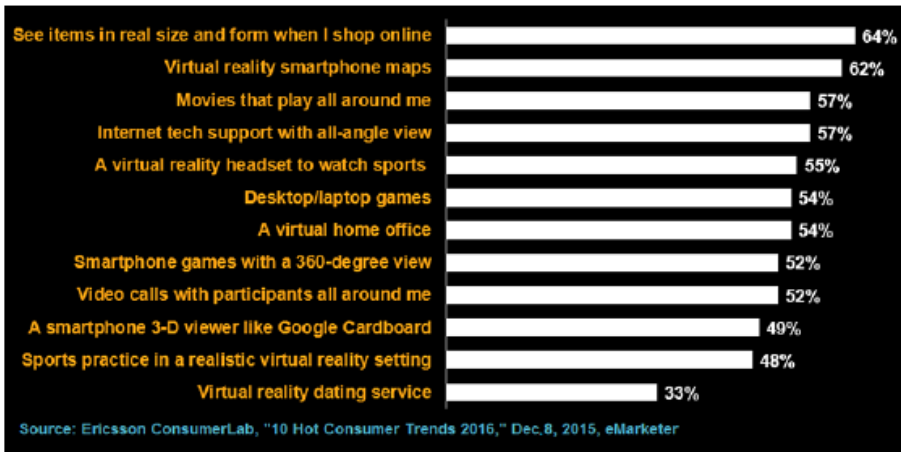
Content growth, bandwidth improvements, price and graphical capabilities will be imperative to drive demand and keep consumers engaged. "The convergence of AR and VR devices could push this nascent market to eventually replicate the volumes achieved by PCs, smartphones and tablets."

Additional catalysts in the industry such as corporate marketing could spark consumer adoption. Mc Donald's and Mercedes-Benz have experimented with 360-degree videos and others are close behind, Virgin Atlantic are using the technology to market their business class services.
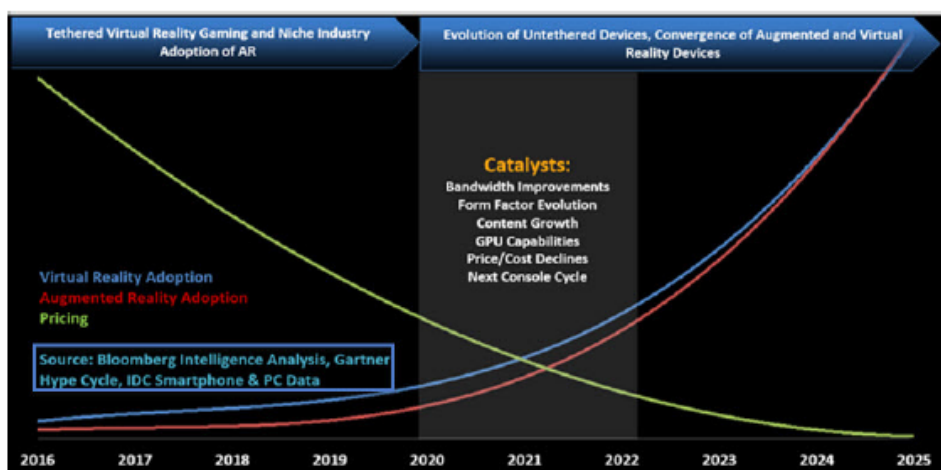
But what do consumers really need and want from virtual reality? It isn't all about gaming….

E-commerce online sales are set to benefit from the adoption of VR. A study from Ericsson ComsumerLab found that consumers wanted diverse options from VR, but the ability to 'see items in real size and form when they shop online' came out on top at 64%.

See items in real size and form when I shop online	64%
Virtual reality smartphone maps	62%
Movies that play all around me	57%
Internet tech support with all-angle view	57%
A virtual reality headset to watch sports	55%
Desktop/laptop games	54%
A virtual home office	54%
Smartphone games with a 360-degree view	52%
Video calls with participants all around me	52%
A smartphone 3-D viewer like Google Cardboard	49%
Sports practice in a realistic virtual reality setting	48%
Virtual reality dating service	33%

Source: Ericsson ConsumerLab, "10 Hot Consumer Trends 2016," Dec.8, 2015, eMarketer

Dior and Tommy Hilfiger have adopted this to enable them to offer the experience of a real fashion show. Additionally, the BMW Mini team are proto-typing AR glasses, unrelieved at the Auto Shanghi 2015 motor show, trailing how AR eyewear could make driving safer and more convenient in the future by eliminating blind spots and overlaying more traditional digital information such as displaying speed limits on the road in front of you.

Consumers want to see, touch and feel before making an purchase, yet as digital and mobile channels become ubiquitous, strategies that address digital and physical behaviours become fundamental you meeting consumer expectations and driving ROI. Regardless of the channel, brands must endeavour to create a seamless experience for the customer whether that de digitally or physically, or a combination of the two, and only use a certain channel if it is within the right context for telling the brand story.

Will Pokemon GO make AR mainstream?
Ben Walton, Head of Digital, Initiative

Pokémon GO, the cultural phenomenon that launched over a month ago, has generated revenues of over $250m to date. Future forecasts show it hitting the $1bn mark, while Apple are predicted to earn $3bn in revenue over the next three years from the game.

It's overtaken Twitter in terms of usage but fallen just short of Snapchat. Some are already predicting the end. Google Trends certainly suggests interest is waning, and according to SurveyMonkey, users in the U.S. have dropped by 20%.
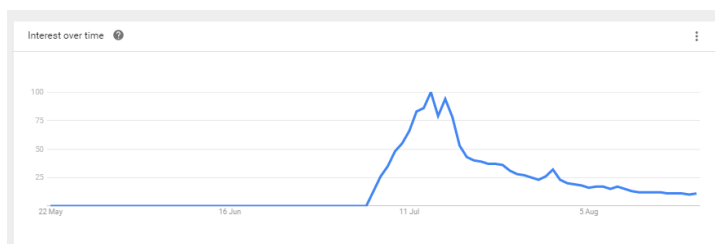
So now the dust has started to settle, what does Pokemon GO mean for the future of Augmented Reality?

Firstly, AR isn't new. It's been around for a long time and has been adopted by various different sectors from automotive to fashion. What people don't know is that the Snapchat lenses (or filters), that have been so widely adopted, are actually a simplified version of AR. They just haven't been labelled AR and therefore people don't see them as so. It is proof, though, that this technology can be successful on devices that people use every day and that it can be commercialised.

It's not just teenagers using Snapchat, but people from all demographics across the globe. As the user base has expanded, the social network has continued to open up to more brands and advertisers. Pokémon GO is similarly proving AR is viable by bringing it to the millennial masses. It has revitalised interest in AR, creating a new sense of discovery that pushes players from their couches to places where they may not have been before. As Pokémon GO has played out in the real world, it has made places of note (e.g., historical landmarks, churches, government buildings and parks) become places where people gather, interact and share. Here, the great outdoors isn't just a place to get fresh air; it's now an interactive playground to explore. Pokémon GO may be a game targeting teens and millennials, but it has helped change expectations of how information is presented and how it can be accessed.

Very soon, visitors at a museum will want to know everything about the exhibit, beyond what's posted on the walls. People may no longer have the patience to line up outside fitting rooms on a busy shopping day and could opt for an immediate AR fitting trial. The technology will cause a shift in public expectation that nudges companies from all sectors to aggressively invest in AR.

What ultimately Snapchat and Pokémon GO have created is an experience that is fun and social. It's not necessarily about the technology but the user experience. If you get AR right then people will get involved. Pokémon GO has certainly made people more comfortable with the technology, and they understand that AR can help deliver better experiences for them. It's now up to brands to create those experiences.