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AT YOUR SERVICE

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ISSUE 04

Hello.

Welcome to the IPG Media Lab's 2016 Outlook. Annually, we round up the ideas that excite us for the coming year: new technologies, market forces, and shifts in consumer behavior that are changing the media landscape.

The Lab is the creative technology arm of Mediabrands. We're a diverse team of 20 people passionate about the new and the next. We produce actionable intelligence, run innovation workshops, and bring tomorrow's media to market today.

Our **Partnerships** team sorts through more than 1,000 new companies each year and meets with over 300, cataloging their strengths and assessing their relevance for our clients. We have a full **Creative** team, developing new technology-focused ideas for brands and taking concepts from prototypes to full-scale executions. To truly understand new opportunities, we conduct **Research** that provides us with quantitative results from emerging media. And we offer **Strategy** and thought leadership to contextualize these developments within the larger technology, media, and marketing landscape. The focus of our business is to apply all of this knowledge, learning, and experience to solving client briefs.

This Outlook is an overview of the trends and topics that we expect to explode into the market in 2016, why we're convinced they're important, and how you should respond. We'll also take a long view, giving you a preview of the trends we think will be big, not now but in a few years. We hope you enjoy it.

Comments, questions, and opportunities are very welcome. Please reach out to our Client Services Director, Samantha Barrett, at samantha@ipglab.com.

2016, What's the Big Story?



We're more than halfway through the smartphone epoch, and as components of the smartphone value chain start to permeate every device, they open up new challenges and new opportunities for media. As the internet expands to fill all the empty spaces in our lives, we're entering a period of media abundance, and how we reach and engage customers will radically change.

In order to break through, brands will have to deliver true value to consumers – not just with their products, but with their brand message itself. The more interactive, ubiquitous, and intimate our media becomes, the more opportunities brands have to become active participants in our lives. **Brand as a Service** means going back to first principles, to what your brand truly stands for, and building upward, meeting your customers at a place where you can improve their lives. For some brands, this will be a natural outgrowth of their products and services; for others, it will mean aligning themselves with creators, or new kinds of sponsorship that look beyond the stadium. If you provide meaningful value, consumers will welcome your message and find ways to integrate your brand into their lives. In 2016, all brands become “lifestyle” brands.

We've highlighted four key trends that will shape this transformation and forever alter how brands are perceived:

Increasing numbers of devices are able to interact with us using natural language via voice or text input. These **Conversational Interfaces** will power the next wave of computing as it spreads to our homes, our cars, and our bodies, dramatically altering search and discovery. Along the way, brands will need to develop a brand voice – literally. The upside is that we'll start to have personal, one-to-one relationships with our customers.

We're watching as much television as ever, but we're rapidly shifting from a strict programming grid to search and feed-based discovery, in the living room and across our devices. **Appified TV** brings us digital measurement and real attribution, empowers new kinds of content, advertising, and virality, and allows branded content to live alongside the best of Hollywood. Every brand can now be its own cable network – so what is your brand binge-watching?

As ecommerce, physical, and on-demand retail become tightly integrated, our smartphones are becoming our passports, connecting our online preferences, profiles, and activities to our offline shopping experiences, and vice versa. **Boundless Retail** allows consumers continuous access to sellers who build relationships through multiple touchpoints and channels.

The abundance of media – and disrespectful practices some have embraced – is causing a backlash. While mobile ad blockers capture headlines, **Ad Avoidance** is increasingly an option for consumers across all media types and platforms. In order to reach the most valuable consumers, brands will need to meet them where they are and provide real value to make sure their message is heard, from premium video services to new ways to find and read the news.

Taken together, we believe these trends will be the animating forces that will shape brand interactions in 2016. Let's take an in-depth look at each of them.

Outlook, 2020

There are some trends that the Lab follows closely, but that won't break out as mainstream concerns in 2016. Here are the trends we're looking forward to in 2020 and beyond, and how we can start experimenting and preparing for them today. Each will require new ways of thinking about brand value and integration into people's lives.

VIRTUAL AND AUGMENTED REALITY

While early adopters and hardcore gamers are starting to buy virtual reality gear with the launch of Samsung Gear VR and the upcoming Oculus Rift, Playstation VR, and HTC Vive, creation of content that will spur real adoption is only beginning. It's a chicken-or-egg problem: Why buy a headset if there's little content and why invest in content if so few can see it? This problem will be solved

over time by declining prices and growing content libraries. But for the next couple of years, branded opportunities will be limited mostly to events that can capitalize on the PR of an exciting execution and the additional reach offered through 360 video playback on YouTube and Facebook. In 2020, we expect VR headset penetration to approach 10 percent in the U.S. and that opportunities will flow.

DRIVERLESS CARS

Fully autonomous cars are more than a few years off, due to regulatory concerns as much as technology issues, but our vehicles are becoming more capable every year. By 2020, a growing percentage of cars on the road will be able to take over significant portions of drive time. Combined with increased use of ridesharing services like Uber, our in-car media habits will shift away from audio and

toward screen-based activities like video, social, and gaming. With the average U.S. commute time being about 50 minutes per day, this automation will be one of the last big leaps in media time until we find a way to consume in our sleep. But for the next few years, you should still be concerned about someone in the next lane using an electric shaver or putting on makeup.

OMNIPRESENT COMPUTING

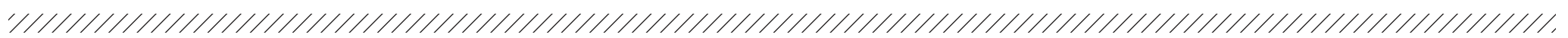
Each of the past five decades has seen an order of magnitude increase in the number of computing devices. From one million mainframes in the 1960s to 100 million desktop PCs in the 1990s and one billion in the 2000s, and now we are approaching ten billion phones and tablets. Analyst Benedict Evans notes "Our grandparents could have told you how many electric motors they owned... In the same way, we know roughly how many devices

we own with a network connection, and, again, our children won't.... We'll forget about them just as we've forgotten about electric motors." From your watch and fridge to bus shelters and fire hydrants, the path to 100 billion connected devices can seem as absurd as it is inevitable. As it develops, the opportunities to understand consumer context, remove friction, and add value as marketers will unfold at the same time.

CONNECTED URBAN SPACES

More than half of the world's population lives in cities, and by 2050, that number will be more than 70 percent. This urban density, when combined with ubiquitous smartphones, spurred the on-demand economy of this decade. The next decade will see our cities come alive with connected devices, as the "internet of things" moves out of the home and into the streets. How we interact with

our surroundings will be increasingly driven by a combination of personal data and public data. Projects like LinkNYC are beginning to unlock this potential today, with highly networked, interactive digital out-of-home. But to reach every block of every city, this new infrastructure will require many years of unprecedented collaboration between private companies and government agencies.



Conver- sational Inter- faces



WHAT THE EXPERTS SAY:

“Brands will connect with consumers on a much more personal way than ever before, becoming a friend and trusted advisor who simplifies their life, shares contextual information and helps them accomplish tasks...without leaving the messaging apps that they are already using every day. To scale, brands will need to use artificial intelligence to automate much of the conversation, with human agents still handling sensitive situations. The brands that come out on top will have a customer-first view of messaging, leveraging it as a key catalyst for commerce.”

— Puneet Mehta, Founder and CEO, msg.ai

Instead of learning a new method for using each new piece of technology in our lives, technology is finally taking big strides in coming to us. Connected devices are quickly learning to interact with humans using the natural language we use to talk with other people, via both voice and text. In addition to shrinking the learning curve and making our devices more human, these methods dramatically alter discovery – away from the ten blue links of search and toward focused AI and human curation. **Requests will be answered with just one option**, powered by an algorithm that combines traditional search results and personal data. Regardless of whether it's powered by an algorithm or a human, all brands will soon need to develop their brand voice in a very real way.

Today, young children assume that every screen is a touch screen, and we expect that soon **devices and services that don't “talk back” will seem to be broken**. How they talk and what they say will become an important part of product and brand perception. So, in addition to the friendly, one-to-many tone developed over the past several years on social media, brands will need to use new methods to communicate one-to-one with their current and potential customers.

Tools in this ecosystem are being built by a wide range of tech companies. At the platform level, the large tech companies are in control and brands will need to fight for presence and maintain flexibility as the new rules of SEO are written. Apple and Google have strong entrenched interests with Siri and Google Now,

msg.ai powers conversational interfaces on messaging platforms, with a combination of artificial intelligence and routing to real humans.

though without an open developer ecosystem or humans to fill the gaps of their AI, they are limited in scope. Amazon's Echo, a consumer favorite, is rapidly increasing in ability thanks to its developer platform. Facebook's M, built on Messenger and still in limited beta, has a human staff filling the gaps of its AI so that it can handle almost any request.

Other companies, mostly startups, are building off of SMS and chat in channels where messaging can be fully controlled by brands such as Facebook Messenger, Pana, and Lark. Your needs could be best met by using msg.ai's service to suggest products or provide shipment updates on Facebook Messenger. Or IBM Watson's Engagement Advisor can act as both a concierge and help desk in one, whether in your app, a chat app, or even over the phone. Corporate messaging app Slack is rapidly growing, and its developer platform offers a uniquely simple way to integrate existing services like Lyft and Foursquare into the platform via Slash Commands, a gateway to conversation with those services. Because the customer interaction enabled by these tools will be centrally managed more than ever before, marketers can and should take control of their tone and personality, making sure they push brand identity forward.

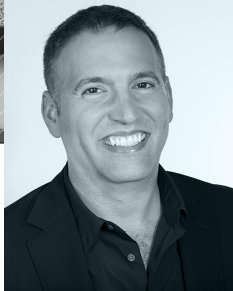
Brands need to be present in wider conversational UI-powered media channels and optimize their content and partnerships to appear first, since **there's no “second page” of results** and often only one recommendation per request. And they need to develop a brand personality to better interact with consumers in conversation-based environments, whether they control the media channel or not. Succeeding at both of these will pay off in significant increases in customer loyalty and visibility on these emerging platforms.



Appified TV

We are living in a golden age of video, in which entire days spent binge-watching are now common. The number of scripted TV shows produced is exploding at a rate exceeded only by the number of new YouTube and Vine stars. As we shift to internet-based delivery, **the source of our video content is becoming abstracted.** Curation and reputation are a big leg up, but there is a new parity where PewDiePie, a Swedish gamer and comedian with the most popular channel on YouTube, is as easy to find and watch as HBO.

Moving from a strict programming grid to search and feed-based discovery, in the living room and across devices, is that equalizer. This will allow indie and branded content to appear alongside top-rated shows, whether organically or through sponsorship, and enable **new kinds of content, like live-streaming and video/software hybrids.** While there will be some differences in the experience surrounding the content, all of it will be available everywhere, from the phone and tablet to the living room. Appification renders the choice of device a moot point. It will also enable new interactive ad formats, including shoppable organic content, direct-response commercials, and integration with mobile couponing and loyalty programs.



WHAT THE EXPERTS SAY:

"Consumers are in control, and a streaming-based future for TV means remarkable changes for advertisers. Done well, advertisers can finally realize the dream of blending advanced technologies of digital – audience buying, interactivity, automation, dynamic creative, etc. – with the reach and trust of television."

— Robert Aksman,
Chief Experience Officer, Brightline

Brightline's technology powers interactive advertising built specifically for television across every OTT platform.

The new Apple TV has copied a lot of the platform decisions that Amazon's Fire TV and Roku have been pursuing for years: voice search across apps, an open app platform, and the ability to blend video and interactivity. But given Apple's resources and particularly its ecosystem ties to the iPhone, it's a compelling platform that we expect to drive significant innovation. The other key players in the living room are the game consoles and the traditional cable set top boxes, which may be hamstrung by more restrictive developer ecosystems.

In content, Amazon-owned Twitch is leading the way, followed by YouTube Gaming, in the increasingly important live-streaming of video games and esports. Both can now propel individuals to stardom in the way that YouTube, Instagram, and Vine have done over the past few years. Sponsorship of these rising stars can have as much impact as a cable ad spot used to.

The advertising ecosystem is still evolving, but it signals a shift to buying audiences, rather than shows, with the same targeting and measurement as digital. Hulu and others are working to bring their interactive ads to living room platforms in early 2016. Amazon is the only provider currently supporting shoppable ads at the platform level, though QVC has demonstrated that functionality in their branded app on the Apple TV, and developers have shown the ability to push mobile coupons from Apple TV apps to the iPhone.

Appification will provide many of the benefits of digital distribution, such as accurate real-time measurement and closed attribution loops, along with the huge potential audiences and attention of traditional TV. Brands should focus on **new SEO strategies, such as partnering with YouTube celebrities and short-form and interactive video formats for both ads and branded content**, that weren't possible within the restrictions of traditional TV.



Boundless

Retail

The mobile ecosystem is **enabling brick-and-mortar retail to gain many of the benefits of digital, including closed-loop attribution, mobile payments and loyalty programs, and CRM systems** that encompass the entire purchase cycle. Shopping is more than just buying, and for years customers have used a combination of digital and physical shopping to the greatest benefit, relying on physical retail for experience and curation, and ecommerce for ease of use.

One of the key pieces of the puzzle has recently fallen into place. Beacon providers like Facebook and Yext have flipped the traditional model on its head: Rather than using beacons to target customers in-store, the beacons and associated apps are silently noting customer presence and using that data to retarget those customers later. We expect this use case for beacons to only increase, as **long-tail customer data will often be more valuable than an immediate purchase** that isn't connected to a CRM record.

This data then feeds into other aspects of the ecosystem. Providers like Square, Shopify, and Tulip are building tools that help SMBs bridge online and offline by unifying their

inventory and payment tools. With the ability to track and target unique customers across devices as they move through the world and into their physical stores, retailers can now use 360° CRMs to **personalize every stage of the experience, retarget physical shoppers online, and provide top-notch customer service and recommendations.**

On-demand fulfillment is allowing retail stores to double as digital distribution centers, and lowering the barrier of entry for interactions with customers in the real world. At the same time, it's raising customer expectations of convenience and price. That convenience extends to media itself as it becomes shoppable across channels: From tweets and Facebook posts to TV and radio, the buy button has never been more pervasive.

A successful brand will experiment with all channels and learn where and how customers want to find their products. Brands with owned retail presence need to start gathering user data, building online/offline CRM systems, and enabling mobile payments and loyalty programs. Brands who sell inside other retail experiences should develop their own loyalty programs and initiate other direct-to-consumer channels in order to gather customer data. And brands that sell only online should explore physical retail through pop-up shops and on-demand fulfillment. All of this will result in getting to know the customer better, reaching them at key moments, and providing them with a level of service that competitors can't match.

WHAT THE EXPERTS SAY:

"At Yext, we believe that beacons have finally leveled the playing field for physical businesses, enabling them to compete much better with their online counterparts. With Xone, we have created a product that harnesses physical intent without sacrificing privacy and makes that intent actionable long after the consumer has left the physical location. Businesses win because they are able to better engage consumers during and after the store visit, consumers win because they get more relevant messaging, and our app partners win because they are able to provide a better, more localized experience for their audience."

— Wesley Barrow, SVP New Business, Yext

Yext is the global leader in digital location management, and their Xone technology uses beacons to personalize the in-store shopping experience and provide retailers with precise metrics and targeting.



Ad

Avoidance



WHAT THE EXPERTS SAY:

"We believe that truly effective ads reach engaged audiences by being integrated with the content, so they don't want to avoid them. 2016 will be a big year for native advertising, and Mirriad looks to bring in-content ads to video in several markets around the world, providing context-sensitive brand advertising in the videos watched by the biggest audiences"

— Tim Harris, CTO, Mirriad

Reaching consumers is getting harder. DVRs helped the television audience minimize commercial viewing, but now with ad blockers and subscription services, **consumers are avoiding ads across media types.**

The fall of 2015 marked a key transition. In iOS 9, Apple started allowing "content blocker" extensions to the default web browser Safari. Ad blocking apps rocketed to the top of the App Store charts when iOS 9 and the new iPhones were released. On the desktop, about 15 percent of consumers use ad blockers like Ad Block Plus, and their spread to mobile has increased consumer awareness. While concerns about privacy and battery usage play a part in the adoption of these extensions, the result is that fewer ads are seen. That said, the vast majority of time spent on mobile is not in the web browser but in apps, where these extensions don't work.

In addition to those tools, consumers are increasingly choosing ad-free services, and new ones are rising to meet that demand. To remain attractive in comparison with ad-free Netflix and HBO, Hulu debuted a commercial-free tier in September. Two months later, YouTube introduced YouTube Red, an ad-free subscription service that also includes some exclusive content. Even cable TV is changing: TruTV announced in October that it would drop up to nine minutes of ads per hour next fall in a bid to win back consumers fleeing to commercial-free services.

Mirriad turns native in-video advertising into a scalable platform, allowing brands to purchase placement after post-production has wrapped, and creating new monetization options for library content.

And it's not just video – Facebook Instant Articles, Apple News, and Google's AMP are limiting the ads shown in web publishing. Media time in cars is switching from terrestrial radio to bluetooth connected phones, mostly playing ad-free music or podcasts with native ads. Some mobile carriers, including EE and others across Europe, are considering solutions from companies like Shine, which block ads from reaching all handsets on their networks. Monday Note's Frédéric Filloux says, "Where Ad Block Plus is a Kalashnikov, Shine is a weapon of mass destruction."

But the situation is not as bad as it seems. Product placement in video is getting more sophisticated. **Evergreen content can become new ad inventory** by digitally replacing products and signage. Technology from Mirriad can replace a Pontiac with a VW, a Subway with a Carl's Jr. storefront, or a can of Pepsi with a Coke. And as more content that allows for these kinds of changes is created, the market will soon be big enough that that inventory will be filled programmatically at the time it is viewed.

Companies should also **look for new ways to sponsor events and content** that aligns well with their brand. GE took this approach in their partnership with Panoply, Slate's podcasting arm, on the production of *The Message*. The Neiman Lab's Laura Hazard Owen said that the eight-episode show was able to hit number one on iTunes' podcast popularity charts by "sounding nothing like an ad."

There are also new techniques for reaching consumers viewing ad-free content. For example, Samba TV can help retarget House of Cards viewers in real time as they browse Facebook while watching, or later, say, when in the pet food aisle at the grocery store.



Five Tips for 2016:

1. MATURE YOUR BRAND VOICE

Whether communicating one-to-one with your customers or fighting to be the only result returned on a new platform, use new text and voice-based interfaces to humanize your brand and connect with customers in authentic ways. Expand on what you've learned in social media to ensure that your conversations go beyond customer service.

2. REACH CONSUMERS WHEREVER THEY WATCH TV

The shift from TV's classic grid to on-demand viewing levels the playing field and allows branded content to earn a place in prime time. Sponsor or partner with emerging stars to take advantage of the new rules of SEO.

3. EVERY OFFLINE TOUCHPOINT SHOULD ALSO BE DIGITAL

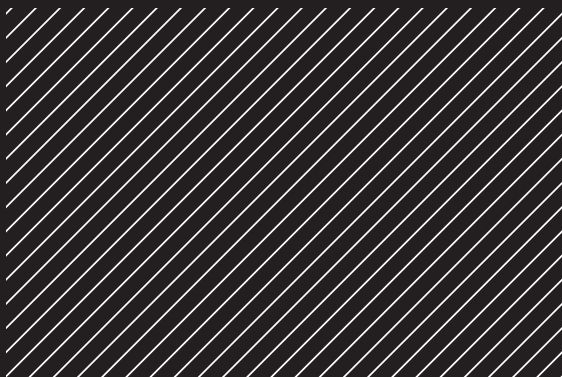
Consumers have been able to shop all day and night, from anywhere, for years. Now the tools are in place for retailers to use all customer touchpoints to improve experiences online and off.

4. MAKE YOUR ADS UNSKIPPABLE

As your target consumers choose ad-free subscription services or implement ad blockers, you need to get more tactical. Use new tools to surround consumption on second screens, or live inside the content itself with things like native ads or programmatic product placement.

5. DON'T BE ALLERGIC TO "NEW"

Experiment with new platforms and interfaces in small ways. Make mistakes now while the stakes are lower, before new ways of communicating with customers are at scale.



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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