



Internet
Advertising
Bureau
UK

Future Trends Working Group

Future Trends Volume 1:
The living room of 2015

Introduction

As GfK's Arno Hummerston notes in his contribution to this paper, one possible vision of the family unit of the future sees us "wandering around waving hands, pinching fingers and talking at mirrors, tables, TVs, white goods and occasionally our families."

This vision may be as much dystopian as utopian, but what seems clear from all the contributors is that we are on the verge of some key changes in the design of the interfaces which allow us to consume media. Not only this, we are about to witness a dramatic rise in the numbers of devices which will form part of the modern household - most of which will be interconnected in some way, allowing us to fully embrace the concept of multiple screening.

These changes will have fundamental impacts on the individual's behaviour as a consumer, as well as advertisers' strategies for communicating with this consumer.

Attempting to predict the future is of course something of a fool's errand - especially when trying to predict the future of technological devices. However what we have been able to do throughout this paper is offer a glimpse of what these changes will look like within the living room of the future - and to suggest ways in which they will impact upon the digital advertising landscape.

Business models are sure to change as consumer behaviour changes. While much about the future is not entirely clear, what's certain is that as an industry we must be prepared to adapt to change. Hopefully this paper will help you to do this.

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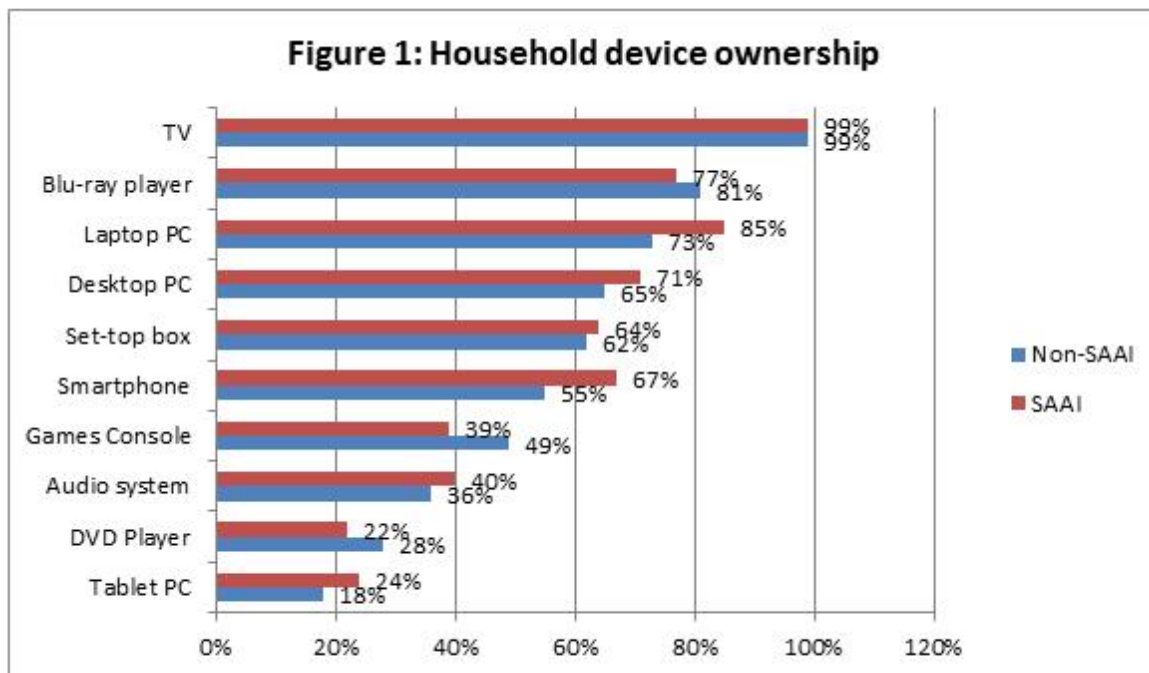
Screen based media in 2015 – business models

As we anticipate fundamental changes in media and technology consumption behaviour Alison Sprague, Director, FTI Consulting assesses what impacts this will have on business models of the future.

Current and future device usage in the UK

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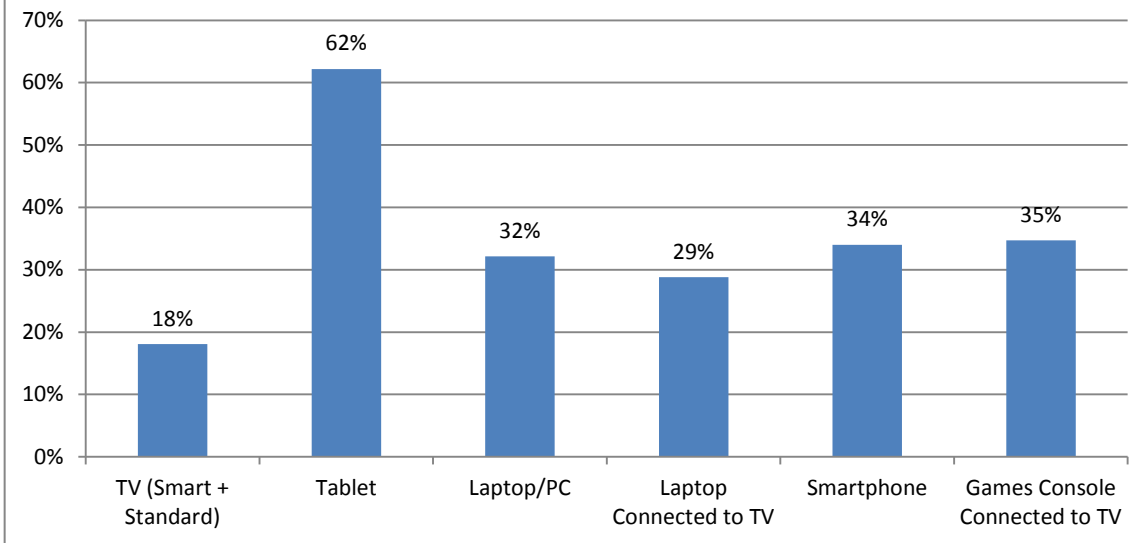
In 2012, household device ownership in the UK is varied with a mix of connected (with internet connectivity) and unconnected technology. As expected the TV has almost complete ubiquity with 99% of households owning one. Other common devices include Blu-ray players (81%), laptop PCs (73%), desktop PCs (65%) and set top boxes (62%). However, when we look at device ownership among the slightly above average income (SAAI) households (earning £25-£45k per annum) ownership of connected devices increases.



Source: GfK Consumer Household Panel, representative of the UK population with access to the internet

Figure 1 (above) shows that SAAI households are 16% more likely to own Laptops, 22% more likely to own Smartphones and 33% more likely to own a tablet. SAAI households have been quicker to adopt smart, connected and mobile devices than the national average. The level of connected device ownership is important because these devices can be used for entertainment purposes, therefore, despite the TV's ubiquity, it is unlikely to be the only medium through which content is consumed. Indeed, in a recent study those who own connected devices are increasingly using them to watch TV shows and films.

Figure 2: Net increase (past 12 months) in usage of devices to watch TV shows and films

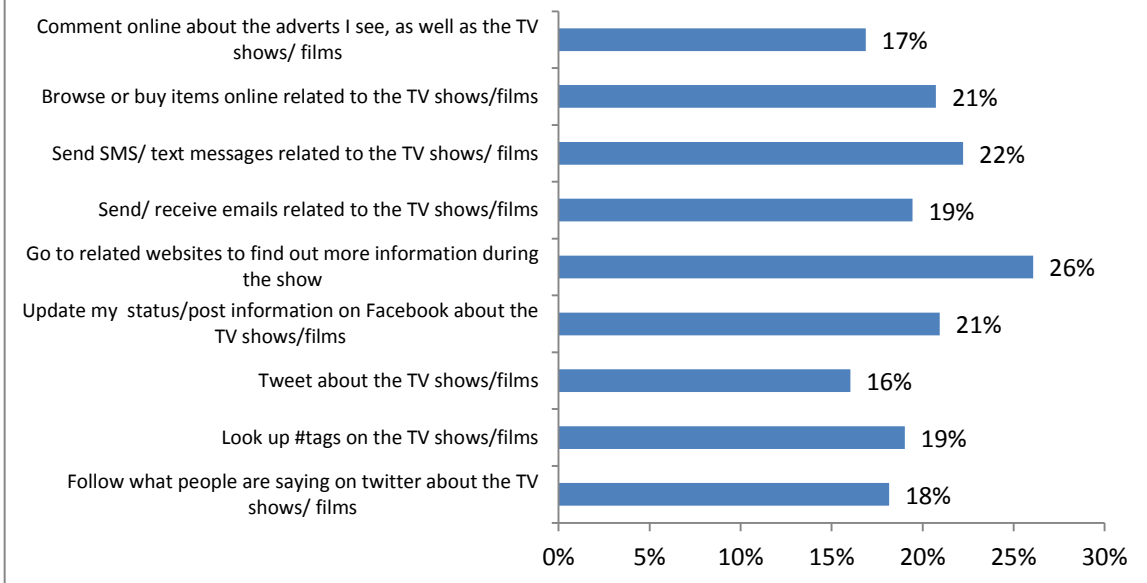


Source: GfK consumer survey, July 2012 among a sample of 500 internet users in the UK

Figure 2 (above) shows that among those people who own these connected devices (from any household income level), usage for video entertainment purposes has increased significantly. Tablets lead the way with a net increase of 62% over the past 12 months. With fully integrated smart TVs only in the very early stages of roll out, many UK consumers are connecting the content on their laptop and games consoles to their TVs. This illustrates a desire for connected devices to work seamlessly in a consumer household and a preference to watch TV shows and films on a larger screen.

The other consideration of households with multiple connected devices in a household is that the living room might still be the focal point for families but digitally and mentally they may be in very different places.

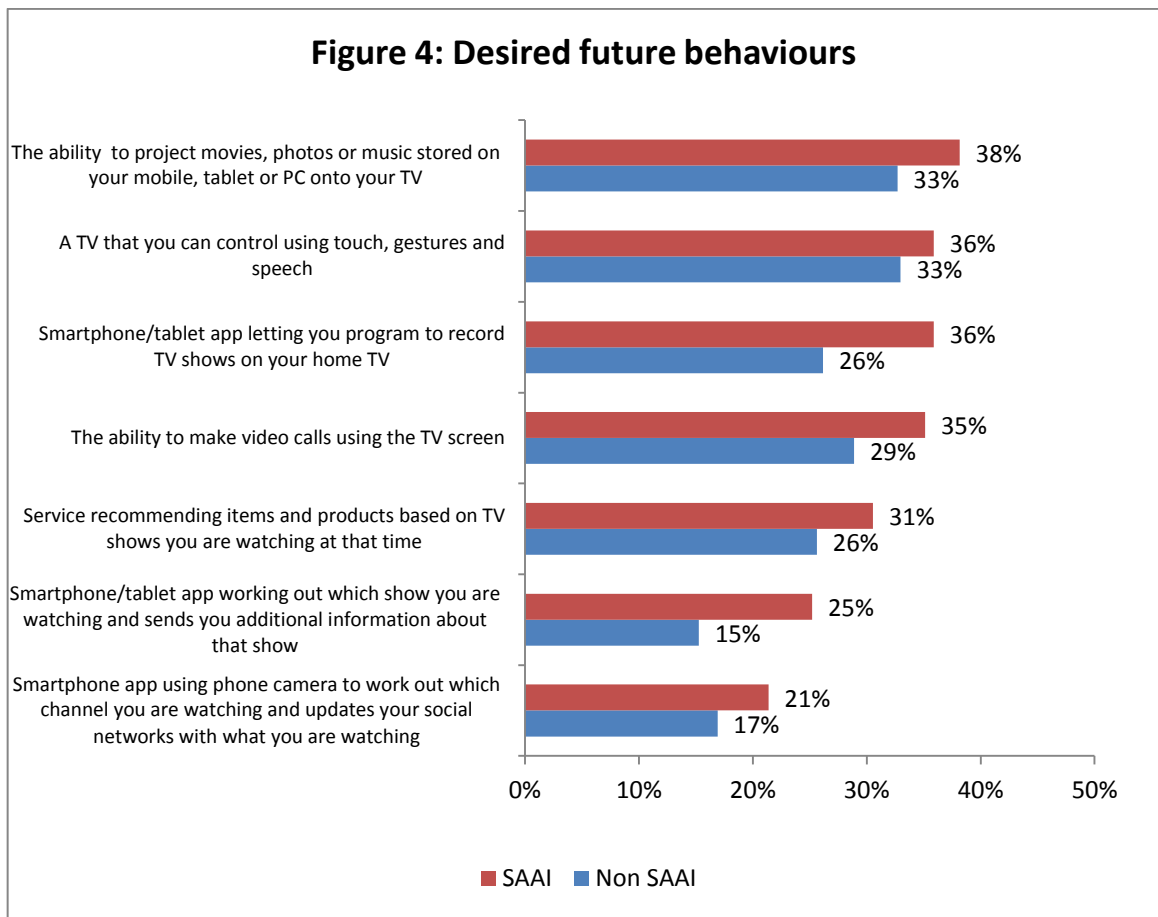
Figure 3: Proportion of UK consumers who frequently use second screen while watching TV/Films



Source: GfK consumer survey, July 2012 among a sample of 500 internet users in the UK

Figure 3 shows the rise of the second screen and social TV. Around one in four UK consumers are engaged in a variety of social conversations about the content they are watching but on different networks and screens. This means that people might be heavily engaged with the content but with people on networks like Twitter and Zeebox rather than people in their living room.

With this kind behaviour already beginning to take shape in UK households, what does the future look like? We asked UK consumers about how they would like to interact and consume media content in the future. The results are displayed in Figure 4 (below).



Source: GfK consumer survey, July 2012 among a sample of 500 internet users in the UK

The most desired future behaviours revolve around a connected digital ecosystem of devices and content. Content available on one device should be easily transferable to other devices to enable richer and more social experiences in the household. SAAI households showed higher levels of interest in all scenarios tested reflecting their greater appetite for a more technologically advanced household. Adoption rates are likely to be much greater among this target audience as the technology that enables these new behaviours becomes more widely accessible and affordable.

The appetite for multiple device usage and second screen activity creates unparalleled opportunities for advertisers in the future home. Not only will advertising via the TV be measurable in the same way internet advertising has been for years, but, advertisers can plan campaigns to synchronise across devices which will drive greater engagement and you would think higher ROI.

How increased ownership will impact on behaviour

Xavier Obon, Director of Emerging Platforms at JWT, argues that as families' ownership of technology increases, the key to understanding new behaviours won't be based around the number of devices owned but how all these devices interact with each other.

There is no doubt that the increased number of technology devices or gadgets in the home will have an effect on people's media consumption habits in the future. It is also important to highlight that new behavioural patterns will emerge from the use of existing devices too - some of which will be used in completely different ways.

Despite the difficult economic times that lie ahead, most British families will own more technology in 2015 than they do now: smartphones will become the norm, tablets will go mainstream, broadband connections will be considerably faster, most TVs will be internet enabled...In other words, we will have faster and more advanced devices and we will own more of them.

It is obvious to say that some of these new gadgets will bring new user interfaces associated with them. For instance, there will be an increase in the number of voice and gesture controlled platforms, like the Xbox Kinect or Samsung Smart TV.

The key to predicting how we will consume media in the future will be understanding how all these devices will interact with each other - not by looking at the devices themselves.

In 2015 most homes will be highly connected, enabling media to seamlessly flow across users, devices and locations. We will be able to start watching a movie or TV programme on the main TV set of the living room and watch the rest of it on a portable device in a different room. We will be able to share holiday photos or videos on any screen by just flicking them from our cameras or mobile phones. This is already happening but we expect it to be commonly used by the average family and not just by the early adopters.

We are already seeing some interesting changes in the way people consume media in the UK. For example, Xbox Live users are now spending more time consuming TV, music and movies than they are playing multiplayer games. Among tablet owners, more than a third of them watch fewer hours of linear TV a week, use their PCs less often and read fewer books since owning the device.

Tablets and smartphones will bring a new dimension to our living rooms and especially to our TV sets when they all start working in sync, enabling us to change channels, get additional information, interact with the content in real time, purchase products and many other features.

In March 2012, Sky launched the Sky Sports companion app for iPad - with split-screen technology - which allows viewers to select two live camera feeds to watch simultaneously during the race, including a selection of onboard driver cameras. We will definitely see more platforms working together in the coming years to make media consumption a more personalised experience.

It will take time for people to look at their TV and to see just a large screen, a blank canvas capable of delivering just about anything, and not just a traditional TV set. The same happened to smartphones when the first iPhone was launched five years ago. Since then, mobile phones have become much more than devices for making phone calls.

The number of tech devices, their sophistication and the way in which they work together will determine how we consume media in the coming years. As more content and media platforms appear, users will become even more selective in their choices and less social in the way they consume it. By less social we

mean people will have a deeper relationship with the content and their online world and not necessarily with the people they are sharing the room with.

Expect greater choice, more premium content, immersive and personalised experiences... in an environment where all these media will move across platforms with ease.

The days of being forced to watching someone else's TV show will be over. Media 'on your own terms' will become a reality.

Brands in 2015

Dan Calladine, Head of Media Futures at Aegis Media Global, outlines how changes in technology adoption among families of the future will impact on brands and advertisers.

Brands will change the way they engage with people by becoming both media and technology companies; in fact some lifestyle brands already say that they are technology companies, repositioning how they add value to people's lives.

More brands will get involved in service design – that is, what services can they offer to customers, as well as the core products that they offer. What we mean by this is that brands will produce things to help people with their lives, either through simplifying what they already do, or allowing them to do completely new things. We're already seeing this with brand-produced apps, helping people manage their lives more easily, but more brands will start to produce physical devices too.

By 2015 there will be at least two screens per person in the audience that we are focusing on, taking into account rises in smartphone and tablet ownership. It might then seem a benefit to brands that more people will be accessing media through more screens at more times of the day, but it also means that there is likely to be more clutter, and any individual brand's messages will be easier to avoid.

To prevent this, brands will offer diversity in what they do to engage with consumers, in everything from the ads and content they produce, to the services and tools that they offer, making themselves more central to people's lives.

In traditional media brands will tie themselves more closely to content that people want to see and interact with. For example sponsorship and product placement will rise – effectively integrating the brands into everything from TV shows to online features to celebrity pictures, to events to tweets. Paid media will become more polarised, with some opportunities like football and event TV, and essentially any placements where the demand is high attracting a huge premium, while other inventory will be sold for a far lower price, often based on targeting criteria or cost per action.

Advertising will become much more interactive in all media, especially TV. Ads on interactive TV will let people select more information, to set reminders, get free samples, or purchase directly, and brands will need to create completely different kinds of assets to engage with consumers in this way.

Through advertising, technology, tools, services and more, brands will have a far greater chance of engaging directly with consumers, especially if they can find a way of selling directly, or directly influencing purchase patterns. This includes anything from in-store coupons stored on smartphones given to account holders, previous purchasers, or likely prospects, or selling direct to the consumer through regular orders for things like cosmetics and household goods.

This direct engagement and these closer relationships will give brands far more data on their customers, including demographics, location and purchase frequency, and they will increasingly use this to target and re-target. Brands will make partnerships to share data (legally) with other companies that have lots of data, including social networks and retailers. There will be even more focus on loyalty and CRM.

Consumers will use more devices, with tablets and mobiles becoming the most used screens after TV. Content will move seamlessly across devices – you could start watching a film on the main TV in the lounge, then switch to a tablet to watch some in bed, and then finish it on your mobile on the way to work in the morning. It follows that any content, services and communications from brands, including videos, apps tools and ads, will be expected to do the same thing – offer a seamless experience, irrespective of what the device is.

New devices

Arno Hummerston, Managing Director Client Services at GfK Digital Market Intelligence, assesses how new devices could disrupt the current ownership and growth patterns.

Three years ago would you have anticipated some of the gadgets we have in the home now? Probably, actually. We all knew about Xbox Kinect, we had seen smart TVs and even tablets were not unheard of. So, thinking about the next 1,000 days does not mean unveiling such crazy ideas as you may think.

The main direction of additional device invention is likely to be in putting more screens in more places in the living environment. As Minority Report style transparent and interactive surfaces are already available now, so they will become a not unusual sight in the home in the future - in many different guises. They will form mirrors, pictures that change, worktops and appliances that all become additional real-estate for content. These connected devices will pervade the house and will be additionally enhanced by independent motion/gesture sensors that will operate like remote mice. These can be bought now, relatively cheaply, so they will likely be prevalent in increasingly sophisticated settings and locations within the home.

This vision of the future sees us wandering around waving hands, pinching fingers and talking at mirrors, tables, TVs, white goods and occasionally our families.

If these devices come to the home, the biggest impact on media and advertising will be their location and usage. Interactions will speed up as we move around (we won't spend the time we currently spend in front of a laptop or TV) and move from device to device, and we will be experiencing them in situations where we are likely to be much less receptive to messages. Where we now sit and watch we could, in the future, stand and experience the web while checking casserole cooking time on a fridge panel. Will we really be receptive to an ad for a Skoda at that moment?

While we can talk about new devices it may be new functionality of existing devices that will cause the biggest shake ups for the future. We already see tablets interacting with TV to integrate experiences by exchanging data. The key area may be passive behaviour monitoring and utilisation to enhance the experience delivery, making devices deploy intelligent and highly targeted solutions. For example, geo-location data from phones could be read by a tablet in the house to integrate with relevant watched content on a TV and serving highly relevant ads, while knowing that that individual is in the room. The opportunities for this kind of data exchange are going to be huge but it will require device communication that raises all sorts of questions around OS, brand strategies and ultimately the ad deployment capabilities of agencies.

The alternative view is that there may be a technology backlash. Some futurologists are backing this to happen soon. Privacy concerns and the perception of a "big brother" society will inhibit people from taking on board what is technically possible. This could lead to "regression" to a TV and mobile phone only experience where the web is unobtrusive on both.

In 1,000 days one thing is for sure. The world will seem very different while feeling strangely natural. Darwinism and business reality are likely to shape the devices, their use and the opportunities. Whether everyone is ready to make the most of them is another question...how do you think you are doing with dealing with the reality of today?

High tech v Stays the same

Oli Newton, Head of Strategic partnerships, Starcom MediaVest, explores two possible futures – one where technological advances radically transform the home of tomorrow; and one where the status quo reigns supreme.

High tech

No more “damn where’s the remote” fumbling around. Picking up my 7-inch ‘phablet’, so much nicer carrying one less device since I moved to the joint phone/tablet model with hands free calling. I open up the TV app and instantly my TV-monitor flickers to life. I touch the ‘user synch’ version rather than the ‘group/family’ option and straight away the program I was watching on my ride home starts up from 20 seconds before I stopped it on the bus earlier. Only 10 minutes left to watch...

Right, what next?

Picking up my tablet I scan the list of content that is recommended for me. A notification reminding me about my breakfast meeting pops up and suggests that I get to bed by 10:30pm if I want to be refreshed for my 6:30am alarm call. 90 mins before I need to sleep and the content is a mixture of films and regular shows all under 80 mins. I love how it now synchs to give me a personal list based on all of those program check ins I used to give back in the day. The audio check in and rating system is so much easier now - a quick spoken review at the end and all done.

Need to get a drink. I pick up the tablet and go to mirror mode, no need to pause it, and carry it with me to the kitchen. Back to the sofa and the TV-monitor comes out of half light mode as it senses the tablet back in the room.

Time for teeth and bed. Just got my new screen mirror in the bathroom. Final twitter look of the day as I brush my teeth. All done and the screen fades to full mirror mode as I switch the lights off.

Stays the same

Damn where’s the remote for the TV? These things are so clunky. This is like being a pilot going through the pre take-off ritual; surround sound on, Sky box on, TV on, cabin doors to manual...

Right, what to watch? Going on to the Sky EPG and clicking through four screens nothing there. Let’s try the TV app menu. Another remote needed. Let’s see what we have here, channel apps, on demand services like Blinkbox and Netflix, YouTube. Let’s do iPlayer. Brilliant I can watch that Scandi drama I missed the other night.

Need to get a drink. I pick up the remote and pause the program as I go to the kitchen. Back to the sofa and unpauses.

My phone pings with a notification about my breakfast meeting in the morning. Best to go to bed now if I am to get a full night’s sleep. Teeth time. In bed, let’s watch the end of that program, quick scan of my twitter feed first though. On my tablet I open up iPlayer, shame no universal login as need to jump through the program to get to the same spot as I was on my TV.

Night all.

The advertising market of tomorrow

Tim Elkington, Director of Research and Strategy at the IAB, examines how tomorrow's multiscreen environment will impact on the UK advertising market.

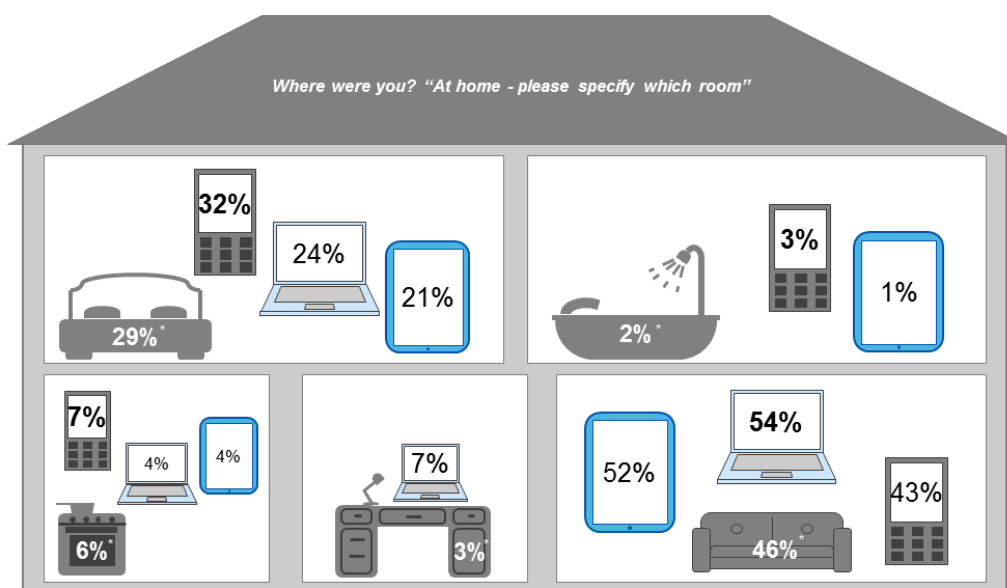
In 2011 online advertising commanded a market share of 28% of the UK's £17bn advertising market - TV made up 26%, press tool 23% and other media accounted for the remaining 23%. What will the landscape look like in 2015? Agency groups like GroupM and analysts such as Enders Analysis already predict continued growth of online's market share in the short term with online's slice of the cake pushing towards 35% or 40%.

But while growth seems assured, the underlying picture is more complicated. In order to make some real sense of the picture, we need to consider what online will actually look like in 2015. Further, we need to look at fundamental shifts in behaviour and begin to assess how they will alter the landscape. For example, what impact will the multi-device and multi-screen environment have on tomorrow's advertising market?

The first certainty is that online will look substantially different. Ownership of smartphones has already reached a tipping point and with an increasing number of people using phones and tablets as their preferred method of accessing online products and services, mobile advertising will definitely increase. First Partner already predicts a growth in mobile advertising from £203million in 2011 to £1,088million in 2015, and assuming that total online advertising continues to grow at approximately 10% per year until 2015, then mobile could represent 15% of the online pie within the next three years.

On another level, the relative percentage of traditional online and mobile will be an increasingly meaningless question in 2015. What is mobile? What is online? It doesn't really matter. The trend for advertisers will be for booking integrated campaigns that work equally well on different devices and different screen sizes – a campaign might start on a connected TV, continue on a laptop and end on a smartphone – offering the advertiser lots of opportunities to get their message across.

The IAB's Three Device Lives research shows that people are already using devices throughout the home (and interestingly mostly using tablets and in-home devices, rather than out of home devices). As technology and in-home integration of devices and surfaces improves then this is set to escalate.



Base (number of check-ins): Desktop & Laptop 290 / Smartphone & Mobile 764 / Tablet PC 82
* Proportion of respondents who selected the room (other rooms incl. dining room, conservatory etc. = 15%)

A big question for anyone with an interest in digital media is whether the proliferation of new devices mean that online revenue is cannibalised (for example to mobile and tablet). Will this restrict its growth or will the range of options available to advertisers help it grow more? It's likely that the answer will be the latter as the growth of mobile advertising hasn't impacted on the continued growth of online.

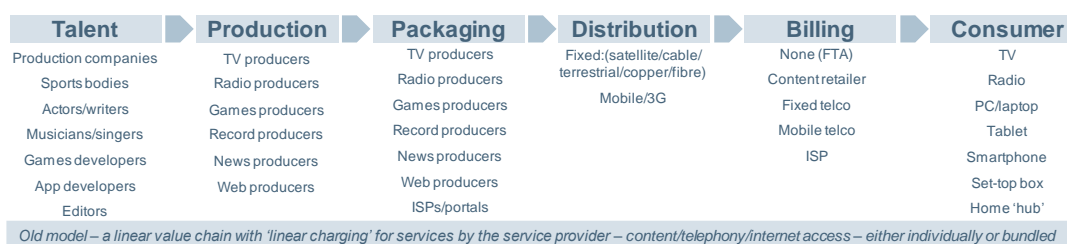
As well as the proliferation of multiple devices, advertisers will continue to expand the range of marketing activities they deliver, from obvious, above the line activity to owned media that enables people to enjoy richer brand experiences at home.

With new devices, new business models and new content (as well as new technology enabling the serving of relevant advertising on relevant devices) a real challenge for the online advertising industry will be skills based. Making sure that media owners can monetise their content and that advertisers understand how to best use the growing number of opportunities will take significant investment in training.

Screen based media in 2015 – business models

As we anticipate fundamental changes in media and technology consumption behaviour Alison Sprague, Director, FTI Consulting assesses what impacts this will have on business models of the future.

Looking to the future, new business models will develop slowly, building on the evolution of the traditional 'linear' business model whereby the consumer pays the 'final' service provider (or watches advertisements in the case of free-to-air-models). Already so-called 'over-the-top' providers are emerging and the consumer has begun to increase the number of billing relationships it has with various network, services and content providers.



By 2015, what may we expect? Possible new models may emerge from:

- New entrants at each stage of the chain;
- New forms of advertising;
- New payment models;
- New, 'non-linear' relationships with consumers;
- New forms of content retailers (e.g. device manufacturers); and
- New connected devices.

The development and introduction of new business models will need to take into account that consumers:

- Are faced with unlimited choice but constrained by the size of the wallet;
- Continue to (and in some cases increasingly) enjoy watching live TV on a big screen with on-demand content largely comprising catch-up TV. That said, they expect a wide-range of on-demand services to be available and new entrants are now testing their willingness to pay;
- Often engage in multimedia activities such as watching TV while surfing the net and interacting on social media;
- Make significant use of social media – for interacting, for sharing, for information etc;
- Accept bundling for some services (triple play is common – TV/internet/telephone – but quad play – adding mobile or even quint play – mobile broadband on top are less common); and
- Have access to significant free content and are reluctant to pay for certain types of online content.

The consumer thus presents a wide range of complex preferences and for new services the business models remain untested. A flexible approach is required and trialling is likely to be an increasing feature when navigating this new connected home. The main building blocks of content business models for the connected home in 2015 are payment and bundling models (as shown in the chart below):

- FTA vs. pay; and

- Standalone vs. bundled (with other services and/or devices).

The models most likely to emerge will certainly depend on the service in question (e.g. PPV movies vs. fixed telephony line rental vs. apps) and quite possibly the device. Service providers may choose to tread carefully and gradually tweak existing models rather than implement wholesale changes - witness the very mixed results following the introduction of online newspaper paywalls.

For the free models, new forms of targeted advertising may develop alongside increasingly innovative ways of getting the consumer to part with information (beyond emails and limited information to full-blown consumer preference surveys). Various payment models will continue to be trialled. Social networks will almost certainly play an increasingly important part, driving traffic directly or perhaps becoming content portals themselves. Could Facebook offer a subscription service for premium content?

The emerging business model landscape is likely to become increasingly complex given the wide range and type of services available (content, distribution, provision) and devices. A prime example is a newspaper on a tablet. This contains the depth of content similar to the print version, has the look and virtual feel of a print version yet can be curated to satisfy individual needs. Premium pricing (and advertising?) may be charged for this standalone product.

Several future scenarios are plausible:

- *'More of the same'* – business models remain the same with consumers selecting their preferred service providers for specific services (TV, internet, music etc.).
- *Battle for the home* – can *one* service provider own the customer relationship for all services (content and networks)? If so, this will require increased partnerships and B2B relationships along the value chain or, as per the recent successful BT Premier League bid, connectivity providers will need to secure their own content.
- *Premium prices for premium content* – consumers get commoditised services ('bandwidth') from one provider and pay for premium services (such as HD or 3D TV with linear channels containing premium content, curated tablet newspapers, on demand-movies).
- *Devices play an important role* – how likely is it that device manufacturers (e.g. of smart TVs) become the gatekeeper offering content subscription deals? Perhaps the alternative offer of subsidised kit (tablet/home-hub/smart TV etc.) in return for network, connected and content services is much more plausible.

A key question is whether in the connected home, the content, network services and accompanying business models remain separate or truly connected. With so much traffic between and across so many devices, it is hard to see that unlimited bandwidth will come cheap.