



Internet  
Advertising  
Bureau  
UK

# Future Trends Working Group

Future Trends Volume 4:  
When mobile takes control

## **Introduction**

It's surprising to think that the slogan "The future's bright, the future's Orange" is now nearly 20 years old. It seems true to say that the future for mobile has always been bright. And indeed this is more true now than ever before.

When thinking of the pace of innovation in the mobile space and the tools now available to connected consumers and advertisers alike, it seems more appropriate now to say that the present is bright – and the possibilities for the future are infinite.

It's a sign of the maturity of the sector that we no longer wonder when 'the year of mobile' will be - and instead accept that we are currently living through 'the years of mobile'.

Mobile is a sector which lends itself well to future gazing. Hence this paper includes discussions on topics as diverse as the challenges of measurement, how mobile is changing the dynamics of the consumer relationship, and even extends to a discussion of the rise of the smart watch as the next frontier for mobile technology.

Mobile really does feel like a new frontier where anything is possible – as long as it can be imagined. Watch this space...

**Stuart Aitken**  
**Editorial Manager**  
**IAB UK**

## Contents

### **What does a mobile world mean for advertisers?**

Tim Elkington, the IAB's Director of Research & Strategy, argues that missing out on future sales and revenue is likely to be the most compelling reason that mobile becomes a priority for all advertisers.

### **Mobile measurement: challenges ahead**

Alison Sprague of FTI Consulting, argues that growth in mobile advertising will be based on robust ROI data – a fact that brings with it inherent challenges.

### **Mobile skills and changing organisations**

The mobile revolution means that businesses need a different range of skills and leaders. The IAB's Head of Mobile Alex Kozloff assesses how businesses are facing up to this challenge.

### **The Hyper Individual**

Karen Canty, Head of News at Future Foundation, outlines how mobile technology is helping to change the dynamics of the consumer relationship.

### **Smart watches - high fashion or good business?**

Tej Rekhi, Director of Innovation Strategy at DG, wonders if the smart watch is the next frontier for mobile technology.

## What does a mobile world mean for advertisers?

**Tim Elkington, the IAB's Director of Research & Strategy, argues that missing out on future sales and revenue is likely to be the most compelling reason that mobile becomes a priority for all advertisers.**

The IAB's second [Mobile Optimised Site Study](#) in January 2013 found that 43% of the top 100 advertiser sites were still not optimised for mobile. Put this together with the latest comScore estimates that roughly one third of page impressions are generated by non-PC devices such as smartphones, tablets, games consoles and connected TVs and you have a situation where over four in ten major advertisers could be missing out on one in three page views.

If these page view figures aren't enough then think about sales. Domino's Pizza achieved £1m of sales through mobile in a single week in the UK as early as March 2012 and added extra £17 million of sales through their [use of a Foursquare check in and rewards programme](#). So in addition to site traffic (which is bad enough), advertisers not optimising for and adopting mobile will be missing out on sales.

This is a situation that can't continue. With tablet ownership forecast to hit 50% in the UK by 2016, advertisers will have to offer sites that consumers can access on any of the devices they own and enjoy the same high quality experience. One of the biggest challenges for advertisers is the massive range of different devices and screen sizes available; it's just not possible to design a specific site for each different combination of screen size and operating system. Because of this, advertisers are likely to adopt responsive design techniques with different elements of content being shown in a modular fashion according to screen size. An obvious consequence of this will be the need for people with responsive design skills and experience and this will be reflected by a scramble for professionals with mobile skills across the board.

Increasing connection speeds and consumer demand will also mean that advertisers change their mobile content strategies. Currently advertisers think about offering 'snackable' content via mobile and reserve 'proper' content for laptop / desktop consumption. Improving mobile connection speeds mean that this will change. Within two years of the launch of 4G in the US adoption had grown from 215,000 to 22,300,000 – a massive increase. Everything Everywhere signed up 400,000 subscribers to 4G in the first six months in the UK and with increased competition with the roll out of 4G to other providers then we're likely to see big increases in the UK. This means that consumers will expect full content (including video) via mobiles and other devices, even out of the home, and this might lead to the review of current mobile content strategies.

Finally, advertisers will have to keep up with consumer excitement about m-commerce and the mobile wallet. In the [IAB Future Facing Mobile Study](#), UK consumers cited the mobile wallet as the most appealing future development (74%) compared to, for example, using a mobile as a remote control in the household (14%).

So, advertisers that embrace the mobile future will be offering mobile payment solutions through responsively designed sites that enable consumers to enjoy the same levels of content on the move as they do on their laptops. Those that don't might miss out on valuable online traffic and sales. It's this prospect of missing out on sales and revenue that is likely to be the most compelling reason that mobile becomes a priority.

## Mobile measurement: challenges ahead

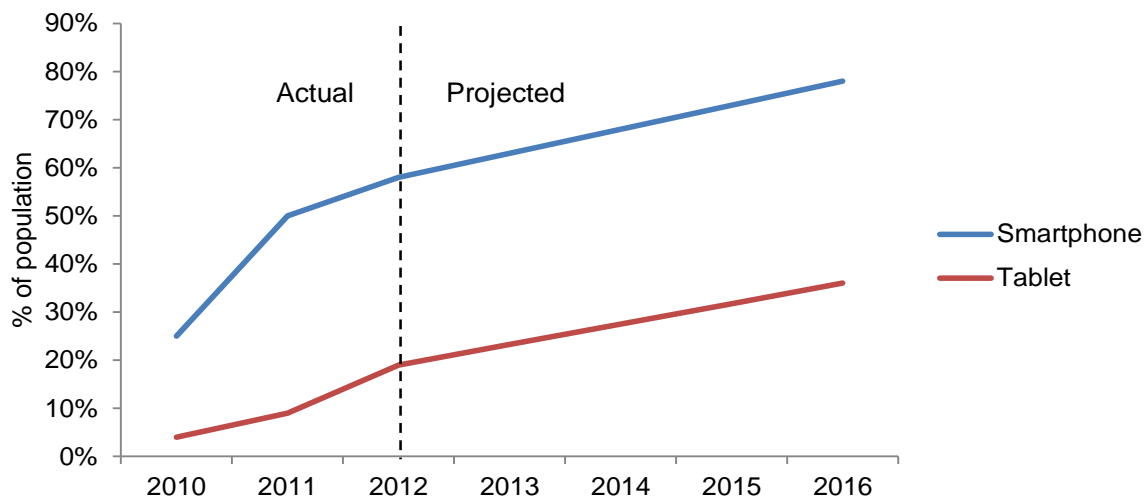
**Alison Sprague of FTI Consulting, argues that growth in mobile advertising will be based on robust ROI data – a fact that brings with it inherent challenges.**

In February Ofcom raised £2.34bn in its 4G auction, paving the way for next generation mobile broadband. 4G is poised to deliver more than 200% of the capacity of existing 3G networks and increased coverage. Everything Everywhere already offers 4G services and the other operators will begin roll-out in May 2013. Faster speeds and more widespread availability will make the mobile broadband offer even more attractive. Even with today's capacity and coverage, evolution has been fast: a plethora of devices, an explosion in content (apps/services), rapid take-up, and massive increases in usage.

The UK is now top of Ofcom's international league table of usage per connection, standing at 424MB, up 58% on the previous year. Japan comes second at 392 MB per connection. ComScore reports that almost one third of page views in the UK occur on a smartphone or tablet and that in December 2012, 20% of British people used their smartphone to purchase a good or service. One in three iPhone users have purchased via their phone.

Mobile take-up is projected to continue growing during the next three years (see Figure 1; indeed, eMarketer's projections appear conservative).

**Figure 1: Actual and projected smartphone take-up in the UK**



Source: Ofcom CMR 2012, ICMR 2012 and eMarketer

In line with the explosion in apps and device usage, expenditure on mobile advertising has also exploded – it stood at £25m in 2009, increased to £203m by 2011 and then more than doubled to exceed £500m in 2012. Amazingly, some marketing execs describe mobile ad spend as largely speculative; based on intuition that mobile has to be an important ad channel. But there are limited metrics in support of this speculative betting on something that is arguably in its infancy – certainly in respect of understanding consumer behaviour and ad effectiveness. As Matt Camps, head of digital strategy, The Institute of Direct and Digital Marketing says: “Multi-device fragmentation can play havoc with attribution and is a key challenge facing marketers.”

There's no point in extrapolating desktop findings to mobile – it's different. Plus there's blunt facts such as 18-24 year olds having a higher recall of mobile ads than the average smartphone owner but smartphone penetration is increasing amongst 55+ year olds. Moreover, the sector comprises

fragmented stakeholders: publishers, ad networks, OEMs, retailers, mobile network operators and operating systems.

Challenges currently facing the sector are basic: what to measure, how to measure and what does it all mean? Yet underpinning these are an array of mobile-specific complexities - location, screen size, operating system and software; swipes, pinch and zoom, portrait vs landscape; apps vs the web; and use of mobile sites vs main sites on a mobile; time spent vs page views; tracking ad exposure and limitations of cookies.

Another challenge is how to define 'mobile'? Presumably there are differences in consumer behaviour when using smartphones and tablets in the home vs truly being on the move? Games consoles on WiFi – should these show up as 'mobile' devices? Is there a full understanding of how mobile links with online and social media?

All media are critically dependent on reliable audience metrics - size, quality and level of engagement. There's already a plethora of disparate measurement systems in use – BARB people meters for TV, RAJAR paper diaries for radio, ABCs for newspapers, comScore's recently launched MMX for online. IPA Touchpoints brings all of these together into one database. Sky has a 500,000 strong panel and is to offer targeted ads to its subscribers later in 2013, as is Virgin Media.

For mobile there is no 'gold standard' like BARB in the heady days of 15% agency commission. RAJAR, albeit using paper diaries boasts it measures people whereas computers measure computers: the challenge for mobile is to measure people not devices. At the end of a multi-channel journey, should the final click be attributed to mobile? Is mobile's main effect to increase footfall or is it the new wallet? Is it all about consumer journeys? Or is mobile a unique platform that drives sales more readily and absent other media?

Solving the mobile measurement conundrum requires:

- Technical solutions to measure (javascript?)
- Measurement standards in place
- Consistent, robust and extensive data analysis
- Analysis of cross-platform behaviour – with and without mobile
- Audits

Several initiatives are being rolled out. Standards for ad tracking and serving released publicly by the IAB are at the public consultation stage. Agencies welcome UKOM and comScore's cross-platform media planning tool which is to be integrated with IPA Touchpoints and other industry planning tools. Another, Nielsen's 'Mobile Brand Effect' has been described as late to the party but 'gold standard'. WEVE, a collaboration of MNOs, has a database of 15 million consumers that have opted-in (EE, O2 and Vodafone currently, but seeking more operators). WEVE aims to develop a standardised mobile payment platform and is soon to offer location-based display ads: described by its interim CEO as a cool (and seamless) experience.

The future has to be bright – but sustained growth in mobile advertising will be based on robust ROI data. There is no doubt that the metrics will get there - hopefully as quickly as mobile itself took off. The main challenge now is not to confuse advertisers with competing measurement systems, to release as much data as possible as mobile metrics are refined and for mobile ad experimentation to continue.

## Mobile skills and changing organisations

**The mobile revolution means that businesses need a different range of skills and leaders. The IAB's Head of Mobile Alex Kozloff assesses how businesses are facing up to this challenge.**

The rapid adoption of mobile devices by consumers, especially smartphone technology, in recent years has created a gap which means that businesses have often struggled to keep up. Even companies with good intentions to adapt to consumer adoption of mobile have been restricted by legacy structures, systems and skill sets.

The good news however is that there is evidence that this is changing. In recent years, a range of top level executives have made clear how fundamental they consider mobile to be to their businesses. From Eric Schmidt's near legendary "mobile first" statement at Mobile World Congress in 2010, to Mike Zuckerberg's "we are now a mobile company" announcement in 2012, the last couple of years has seen mobile become the central strategy for some of the largest companies in the world.

Another indicator of how things are changing can be seen in the [IAB's annual Agency Snapshot report](#).

Since 2008, a range of media agencies have been surveyed to better understand attitudes and education levels of mobile in the agency world. In 2012, 353 respondents took part from 13 separate agencies.

As with previous years issues such as client understanding and tracking remained hot topics. However, a key shift this year was an encouraging change in the internal agency structures that support mobile. In 2011, 33% of respondents said that lack of internal agency resource dedicated to mobile advertising was stopping mobile being a larger proportion of digital adspend. In 2012 the percentage of respondents supporting this statement dropped to just 17%.

What's more, not only is the amount of resource available internally at agencies improving, but there has been a marked shift in the level of seniority of those getting involved. In 2008, only 15% of respondents said that the CEO/MD was driving the move to mobile advertising within their company. In 2012 this figure increased to 38%.

Although data about the structural changes within advertisers is not so easily available, day-to-day experience indicates that there are more mobile specialist roles in-house in client companies than in previous years. Indeed, advanced advertisers increasingly have entire teams of mobile specialists including marketers, product managers and media specialists.

The biggest proof of how businesses are adapting to mobile marketing has to be of the latest adspend figures. According to the latest [IAB/PwC Digital Adspend Study](#) for the full year 2012, £1 in every £10 spent on digital advertising in 2012 went on mobile - a big step change from just 40p in every £10 in 2011. Mobile advertising in the UK is now worth £526m, and to me that certainly indicates that a lot of companies have managed to adapt to include mobile into their strategy.

However, there is still more work to do and further gaps that need to be closed. ComScore says that 24% of UK page views are being viewed on a mobile device, but yet still mobile spend - at 10% of digital adspend - is proportionally less than half of that. With predictions from First Partner putting mobile advertising at a value of £2bn by 2017 those who don't take the need to adapt seriously, and at a fundamental level, will soon be left very far behind.

## The Hyper Individual

**Karen Canty, Head of News at Future Foundation, outlines how mobile technology is helping to change the dynamics of the consumer relationship.**

Consumer empowerment – the slow but inexorable shift of power from companies to consumers – is a fascinating trend. From price negotiation to content co-creation, fitness tracking to customer service, no organisation can these days afford to ignore the changing dynamics of the consumer relationship. It will come as no surprise that technology – and mobile in particular – has been a huge driver of this trend. Ever more tools are emerging that allow consumers to see their electricity expenditure, compare prices, track their health and home energy use; and make the best decisions (or even automate the decision making process) based on this information.

We've been tracking a number of trends that are woven closely into the narrative of consumer empowerment – and we've recently begun to see evidence of the emergence of a new breed of consumer: the **Hyper Individual**. This is not just the consumer who gets the most from their money and time, or the multi-tasker searching for a good deal. This is the confluence of many trends - the consumer who lives on the go, in the cloud, and who, through the adoption of these new skills, has become one very powerful, super-charged consumer who recognises the value of freely available information and uses it to regain control in the marketplace.

Three core trends form the genesis of this shift.

### Maximising

Firstly, a behaviour psychologists call Maximising – in consumption terms, this means we try to make the best decisions with our money. It's not hard to see how modern technology can help us achieve this as it gives us access to so much information about almost any product, service or purchase. Price comparison websites, consumer reviews and access to all manner of detailed information means that we have never been better able to make informed choices in almost any market, as long as we have the time and know-how (and an internet connection). Mobile is particularly salient here, as we consider growing trends such as 'showrooming' – the practice of examining merchandise in a bricks and mortar retail outlet, then consulting the web to find a lower price.

There is a huge benefit to maximising, especially when it comes to high-value purchases like holidays, cars and home technology. Often, however, maximising is a poor decision-making strategy as you can spend endless hours comparing specifications and prices. Rationality becomes irrational, which is where our second trend comes in...

### The end of inefficiency

This is the rise of the smart algorithms and websites, apps and services which can mine data and suggest the best choice to us – in other words, leaving the maximising to the machine. There is a lot of interest in these kinds of services - recent Future Foundation research found that 70% of British respondents claim to be interested in a real-time online price monitoring service that alerted them the moment the price of a product fell and 62% were interested in a service that would move money automatically between savings accounts to make sure you got the best interest rate.

There's obviously privacy issues to consider – a suspicion of companies keeping our personal data safe and a growing awareness of our digital (and mobile) footprints. But our research has often found that many people are happy for companies to collect their personal data in return for some tangible benefit – better prices, deals, smarter, tailored recommendations.

IAB Whitepaper

Future Trends Volume 4: When mobile takes control



As the decade progresses, more and more services will be able to capture data on our behaviour and use smart algorithms to make recommendations. For example, a bike that monitors performance and sends information to an online account; a TV that analyses viewing habits and alerts you to other programmes you might want to watch; a fridge that scans supermarket items, warns you when they're approaching their use-by dates and suggests recipes to use them up; a cosmetics store that can detect skin tone and recommend the best colours. Some of these services already exist but have yet to hit the mainstream. This is the Amazon "Recommendations for you" or Apple "Genius" writ large.

### **The quantified self**

The third trend is the quantified self. We can track and quantify so many aspects of our lives now, whether through technology (fitness trackers) or legislation (food labelling). With the right app, service or device it's never been easier to track our personal finances, home energy use, media consumption, calorific intake or miles walked.

So the Hyper Individual trend is about people learning and applying new methods of choice, efficiency, self-monitoring, data tracking and information-gathering in their everyday lives. And with the proliferation of on-the-go devices offering greater access than ever to the world around us; with modern time pressures inviting us to lead a more streamlined life, with the boring stuff automated; with an increasingly local outlook, using tools to find resources and discover deals, shops and restaurants wherever we are –we can all be a little bit Hyper.

## Smart watches - high fashion or good business?

**Tej Rekhi, Director of Innovation Strategy at DG, wonders if the smart watch is the next frontier for mobile technology.**

Mashable recently launched a survey asking its audience if they would prefer Google glasses or a smart watch. It was a really good question because honestly, how many different ways can people wear a smart phone? However, the success of the [Pebble E-Paper watch](#) and of course rumours of Apple's iWatch have put the smart watch high on the radar. This is despite the fact that people just don't wear wrist watches anymore, a change that has been attributed to the rising number of time-telling gadgets we carry around, such as mobile phones, iPods and laptops.

But there are also some practical advantages of the smart watch that can't be ignored. For those people who keep their phone in a bag, the watch becomes useful for screening calls, and looking for your social media updates without having to dig for the phone. While smartphones abound in radio technologies like the recently introduced Bluetooth 4 that extends battery life, there's no reason why that pocketed processing power can't now extend to reach smarter, wearable peripherals.

In addition, computers are already becoming fashion accessories. Plenty of people use Bluetooth headsets and strap their phone to their arm while running. There is also of course the futuristic Google glasses that provide augmented reality while connecting users to maps, calendars, and just about anything else they want from the web.

The current trend is not just for smart watches to mirror fashion statements as small ovals located on the wrist. With curved glasses coming into play, smart watches can come in any shape and size that enables more engaging user experiences - including video.

But beyond the convenience for consumers, smart watches could also be the next best thing for location based advertising (LBA). Celtra's Q3 2012 Rich Media Monitor Report found that although only 7% of mobile campaigns had location features, those aspects of the ad had the highest rate of engagement (18.8%).

According to Google, [85 per cent of UK smartphone users have searched for local information](#) and 81 per cent have taken action as a result. In fact, 13 per cent look for local information every day and thus may be most receptive to advertising.

Immediate alerts of local sales won't work if people have their phones tucked away in a pocket or a purse. They will only see the ad if by chance they stop what they're doing and start browsing or using an app the precise minute the ad is served. If they only view the ad twenty minutes later, the whole user experience may be wasted. Smart watches, by making the ad visible when it matters most, can make LBA shine.

The smart watch can add a final point before conversion, pushing people through the purchase funnel. At the same time, the ability to use predictive targeting means people can be alerted of offers in advance while planning purchases - and not just at the point of sale.

The smart watch will be integrated with the smart phone, enabling the watch to benefit from location based capabilities, and user data when the user allows. As the market matures, Apple and Android will become major players providing a standard interface that developers can work with, and products that consumers trust.

However, serving ads on the smart watch is not just dependent on technology but requires the collaboration and cooperation of the consumer. Without prior opt in, and the ability to specify relevant products or services, the magic appearance of an ad as consumers pass by a store entrance can be viewed as intrusive or even creepy. The key to success is soliciting the user's cooperation up front so that ads are relevant and welcome.

By enabling consumers to select those merchants or products they want to engage with, positive brand associations are created that boost customer acceptance of LBA while increasing the likelihood that ad recipients will convert.

Smart watches provide an opportunity to play smart and target well by becoming an extension to the smart phone that is central to our daily lives. The alert on your wrist for products or services you are interested in could be the service that justifies the cool gadget you just bought. It might impress your friends when a Diesel logo flashes right when you pass by your favorite jeans store - showing you have not only good taste in fashion but also in the latest technology.