



THE NEXT DIGITAL WAVE:

Emerging Interfaces +
Experiences Beyond
The Flat Screen

Fall 2017 research survey for the Ascendant Network, sponsored by Verve





OVERVIEW

The digital world has introduced us to amazing experiences in content, commerce, and communication, all of which take place in a two-dimensional world of text, images, and video. We are on the verge of a major new wave of digital experiences that go beyond flat glass into more immersive, more personal, and more multi-dimensional environments. These experiences are fueled by innovations in artificial intelligence, camera technology, wireless connections, and battery size that lead to smarter, smaller, and more powerful devices and software.

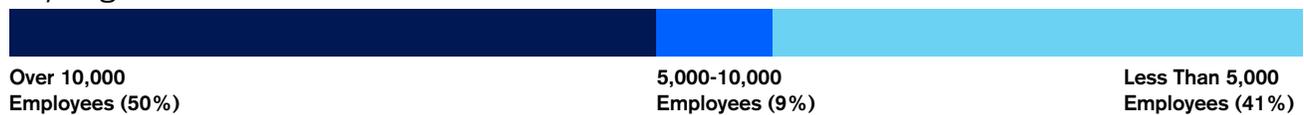
Similar to the rise of the web and mobile devices, this next wave will be driven by consumer adoption first, followed by marketers testing and developing these interfaces to create new experiences. Are we ready, as marketers, to dive into these new ways of interacting? This report reviews the current thinking of leading digital marketers across industry sectors. Their input points to which emerging interfaces deserve marketing attention now, and which are likely to compete for similar attention in years to come.

METHODOLOGY

In August 2017, we surveyed the members of the Ascendant Network to understand their progress toward adopting emerging digital interfaces ranging from bots to augmented reality to connected cars (**SEE FIGURE 1**). We also interviewed senior marketing executives from a range of industries to understand their perception of these interfaces and what role, if any, they are having on marketing now and in the foreseeable future.

FIGURE 1: Profile of Survey Respondents

My organization has:



My marketing focus is:



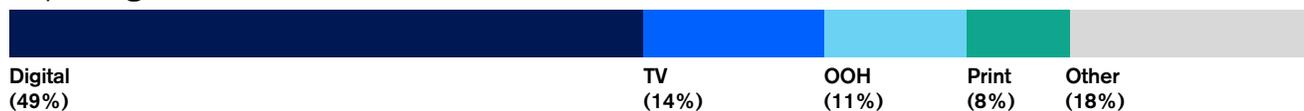
My role is:



My planning horizon is:



My budget allocation is:





EXECUTIVE SUMMARY

Based on our research, senior marketing executives tell us that:

- Digital and mobile have graduated from being an afterthought to having their own channel strategies, to now becoming the epicenter of the marketing strategy for many organizations.
- Marketers find emerging interfaces and experiences exciting but when it comes to action they are reluctant to invest — respondents report that their interest in investing in emerging interfaces today is low.
- When 10% of consumers in marketers' target audience show interest, that is the tipping point at which marketers will invest in emerging interfaces.
- We can first expect to see emerging interfaces begin to replace existing interactions — i.e bots serving as front-line support and enhanced customer experience, for example — while AR and VR are deployed to create new engaging consumer experiences.
- Other interfaces need better use cases and increased adoption before they are considered as vehicles for marketing innovation.

FOR ASCENDANTS, DIGITAL IS FAR FROM EXPERIMENTAL

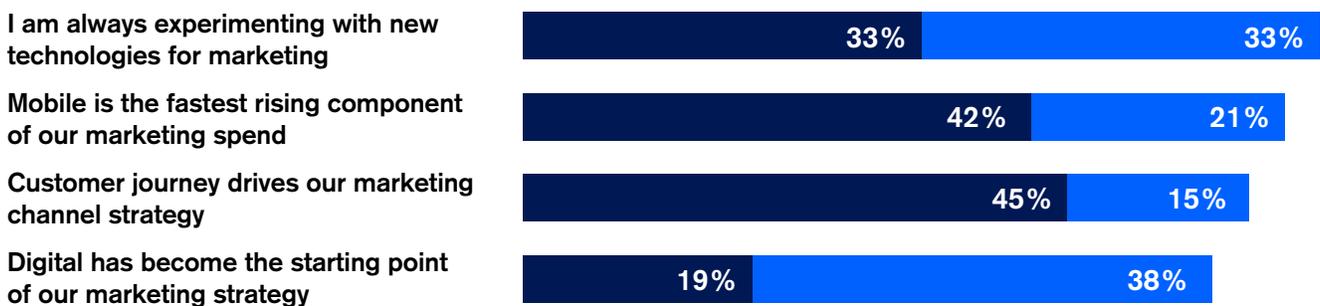
Members of the Digital Ascendant have long known, and advocated for, the rise of digital as a fundamental tool for marketing.

When we surveyed these marketers, it became clear that digital has become the lead horse in the race. **(SEE FIGURE 2)**. Digital serves both as a tool to understand how consumers think and a channel to reach them efficiently. Digital is now the force driving marketing strategy at large brand-led consumer companies. Organizational silos have broken down, more collaboration across teams is common, and mobile is quickly graduating from experimentation to a fundamental part of marketing.

FIGURE 2: Digital Thinking Pervades Marketing Strategy

(% that agree or strongly agree with each statement)

■ agree ■ strongly agree



“Someone’s sitting in the shade today because someone planted a tree a long time ago.”

Warren Buffett

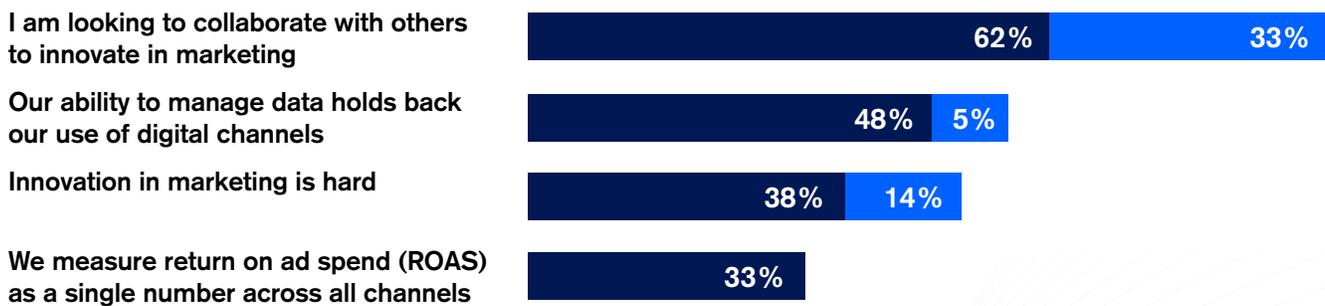
Fifty-two percent of survey respondents admit that innovation within marketing remains hard, and that expectations for measurement and ROAS still impede decisions to innovate (SEE FIGURE 3).

A major emphasis among marketers has been to focus on the customer journey, both online and in the real world. This is driven by a need to provide better customer experiences regardless of how the consumer decides to engage with brands. And just when today's digital interfaces have become more mature, technology is unleashing a new wave of interfaces — progress is opening up many more ways for consumers to engage with businesses.

FIGURE 3: Collaboration and Data Management Are Key to Marketing Innovation

(% that agree or strongly agree with each statement)

■ agree ■ strongly agree



THE RISE OF EMERGING INTERFACES

Interest in Emerging Interfaces Ranges From Exciting to Exaggerated

For a decade or more, marketers and consumers anticipated the “year of mobile.” With the iPhone now a decade old, the mobile focal point has become the device in our pockets. On the heels of this mobile-maturity milestone, a wave of new interactive options are starting to appear, taking the experiences people have with their digital devices beyond two-dimensional text, apps, and video.

For this report, we looked at the following interfaces, all of which exist today but are in various stages of readiness and consumer adoption (**SEE FIGURE 4**).

FIGURE 4: Emerging interfaces are on the radar screen

| Type/Definition | Example | Consumer Readiness | Marketing Readiness |
|---|---|--------------------|---------------------|
| AI > Voice Assistants Conversational interface based on vocalized input and output, using artificial intelligence to form replies based on spoken user input/responses. | Examples include Amazon’s Alexa and Apple’s Siri | | |
| AI > Bots Text-based, conversational interface found on websites and in social/messenger apps that uses artificial intelligence to form replies based on user input/responses. | Domino’s, H&M, Spotify, Kayak, Drift.com (for B2B) | | |
| AR Computer-generated superimposed images or other information on a user’s screen-based view of the physical world, creating a composite experience viewable through a device (i.e. smartphone, glasses). | Wayfair’s furniture placement app; Lowe’s in-store navigation | | |
| VR Immersive computer-generated simulation of a three-dimensional virtual environment that completely replaces the viewer’s experience of the physical surroundings and allows gesture-based user interaction. | Brands like Tom’s, Oreo and Mercedes have launched VR tests publicly | | |
| Connected Vehicles Vehicles that are equipped with Internet access and software interfaces that connect location, on-board instruments, and interactive screens. | Android Auto, Apple CarPlay | | |
| Wearables Electronic devices with smart sensors and a web connection (usually Bluetooth, but increasingly including WiFi and cellular connectivity). | Relevant to sports brands (Nike, Under Armour) | | |
| In-Game Game-based interactions delivered either through a display in the background, such as an in-game billboard or commercial, or highly integrated so that the advertised product is necessary to complete part of the game. | Entertainment, promotional placements, and character-derived games, based on audience relevance | | |
| IoT Products embedded with processors, sensors, software, and connectivity that exchange data between the product and other systems. Access to data may be through another device, such as a smartphone. | Relevance depends on the product use case | | |

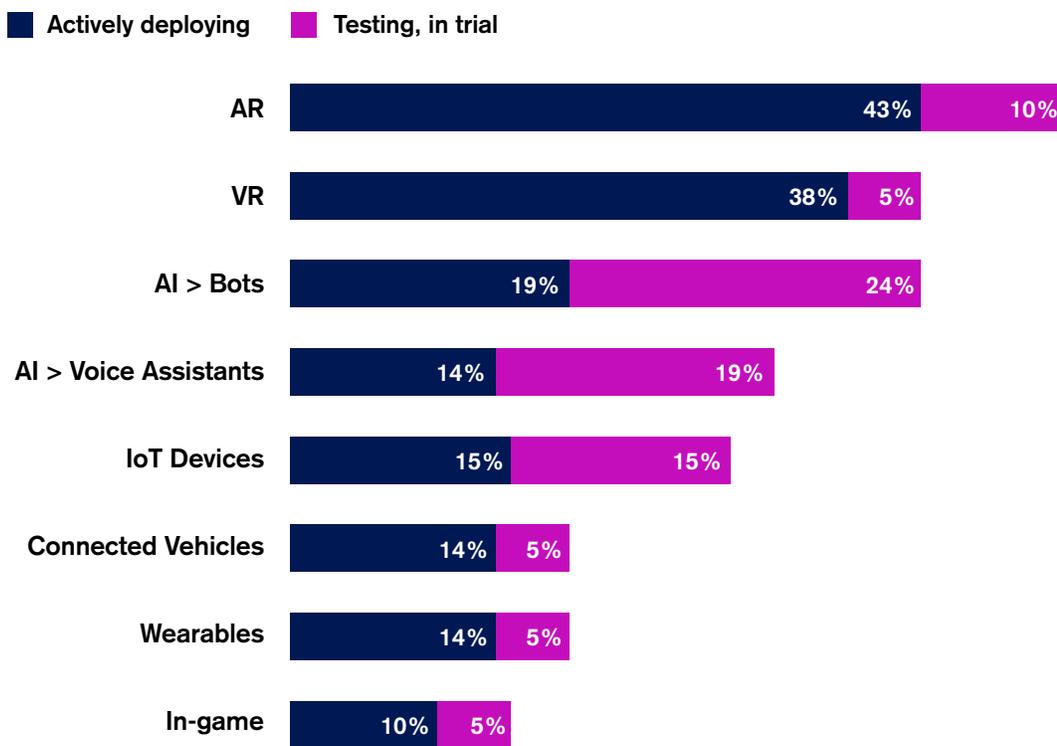
Moving Beyond the Flat-Screen Experience Will Take Time

The surveyed group as a whole is bullish on new forms of digital experiences. Augmented and Virtual Reality have the highest level of active deployment amongst this group (SEE FIGURE 5). Artificial Intelligence has a smaller number of active deployments, but a lot of experiments. Anything connected to hardware seems to have less appeal amongst marketers, with around 15% actively deploying but few others experimenting.

Customer adoption rates do not have to be high for brands to activate. Nearly all the surveyed marketers think they will use AR and VR when consumer adoption hits 10% of their target audience and the same bullishness is tempered only slightly for in-game and IoT related marketing (SEE FIGURE 6). While AI-driven tools need to find their early adopter audience, they too only need 10% adoption in order to get more attention and investment.

FIGURE 5: AR and VR Have The Most Traction

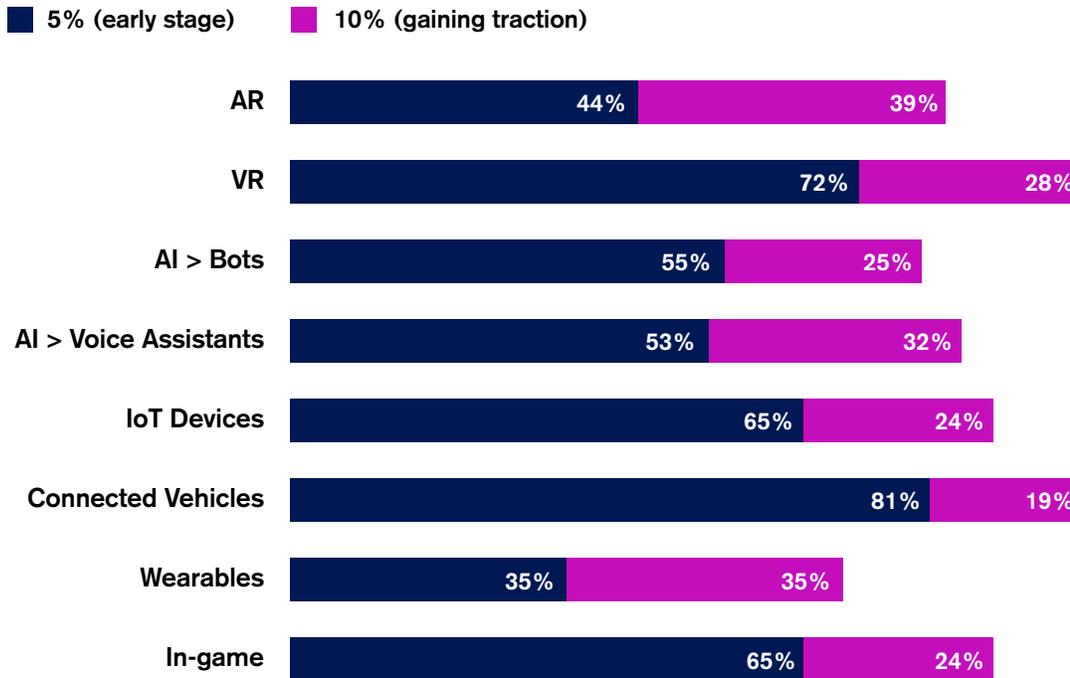
What is your current level of deployment of the following?



As a whole, marketers surveyed are very familiar with and monitoring these emerging interfaces. But nearly 60% of respondents live within an annual planning cycle, tempering their sense of urgency and creating a gap between awareness and activation when it comes to these new interfaces.

FIGURE 6: Customer Adoption Only Needs to Hit 10% To Get Put On Plans

At what level of customer adoption (% of your target audience) do you see these interfaces becoming part of your annual plan?



“ We do not look for an explicit number for adoption. We look at it more as optimization of the experience. I believe customer service will come first. We have been very proactive in asking agencies to lead and we run innovation summits to identify new concepts. The parts of our business that drive the biggest budgets get pitched proactively.”

Director of Digital Marketing,
Consumer Bank

Agencies Will Lead the Charge in Concepts and Execution

While marketers we spoke to are bullish in theory, they are held back by the challenge of meeting ROI targets. They rely on their agencies for innovation with these interfaces. From digital products to CPG to entertainment, experimentation is high but commitment is low. Interestingly, even across sectors that use digital media extensively, such as entertainment, CPG, and gaming, the reality of including these emerging interfaces in campaigns may lie far in the future.

“ AI is the low-hanging fruit, but we are not going to dive too deeply yet. We are most interested in IoT and replenishment, where replenishment becomes re-order and habit. The question is, ‘How do I get consumers to switch when they just re-order a brand they already use?’ I am concerned that their re-order habits will prevent switching.”

VP Consumer Planning,
Alcoholic Beverage Producer

“ If there is a desire to use emerging interfaces, then we go to our agencies to have them pitch ideas or execution, then evaluate the potential. If it is hard to tie-in real ROI we use soft metrics like views or engagement. Today these interfaces are more about making better experiences for the right target audiences.”

SVP, Worldwide Media & Interactive Marketing, Home Media Distributor



PRACTICAL USE CASES WILL DRIVE INITIAL INVESTMENT IN EMERGING INTERFACES

Respondents in this report are clearly interested in these emerging interfaces, but they recognize that effective use cases may well start outside the marketer's domain. In fact, those CMOs that start with a digital mindset around customer experience recognize that the best use case for some of these interactive experiences will be in first producing stellar digital products and experiences, and then applying these interfaces to advertising down the road.

“Products that have knowledge/data to offer would be first to take advantage of these emerging experiences. When it comes to commerce, people that have a specific need for a physical good will be the source of scale.”

Global Head of Digital Marketing,
Digital Media Publisher



Product and Marketing Must Be the Next Leaders to Align

Marketing, for the past five years, has been significantly defined by technology, a trend that has brought the CMO and the CIO closer together to ensure a consistent customer experience. This partnership has been beneficial to the organizations. In the same manner, as marketers look to take advantage of these emerging interfaces, they need to continually align cross-functionally, building bridges with those responsible for Product, for example, while also bringing the CIO along for the ride.

Unlike in the past, when marketing's involvement in a product launch came after it was ready for deployment, going forward, marketers need to integrate with and lobby their product teams to incorporate elements that will bring emerging interfaces to life.

Where will product and marketing collaborate first?

- **Even non-digital physical products will need to incorporate connected thinking.** To deliver on Augmented Reality, companies need to think through the enhancements that will help their company stand out. From labels on ketchup bottles to digital specs on furniture and hardware, product teams need to deliver metadata to firms like Lowe's that are building AR shopping tools.
- **The definition of "product" will expand to include representations of the product.** Early VR applications, such as hotel-room experiences, will require investment in video production tools that take advantage of the 360-degree experience and develop branded storylines that go along with these use cases.
- **AI for voice and chat will present a competitive challenge.** Consumers that ask Alexa or Google Home for soap will less frequently be exposed to visual promotions or sponsored ads; their experiences will increasingly default to purchases that Amazon or Walmart's AI select (depending on which voice assistant is used).

Early Testers and Fast Followers Will Keep a Close Eye on Adoption Rates

Early adopter audiences will encourage marketing investment.

- **Low barriers to testing.** As noted earlier, marketers require only 10% of their target audience to identify as early adopters of an emerging interface; they will then trigger its addition to their annual planning process.
- **High barriers to execution.** Proving the value of these interfaces at nascent levels will be difficult, but marketers have learned that waiting to deploy new technology until they can first prove metrics that assure success often results in missed opportunities. Even today, while 95% of marketers value measurement, 60% agree that digital metrics are still in the primary stages of maturity. The impact of emerging interfaces — and the budget required to build them — may well be softer than a CFO demands initially, but quantifiable collateral benefits such as brand awareness, brand lift, and consumer perception of the brand as an innovator can prove valuable to organizations that take early chances.
- **Requires new ways to tell stories.** Yet again, marketers and their agencies will need to experiment with new narratives.

“Content creation will start to change in these experiences. More UX designers will be involved. Thinking about how you present content in new ways. There is already a need to rethink content for AR and Connected Cars. Right now, we face limitations in the traditional campaign process. We now need a creative team that does a lot more than just banners. It’s no longer so easy. We have to understand their environments and see where these interfaces best fit.”

Global Head of Digital Marketing,
Semiconductor Manufacturer



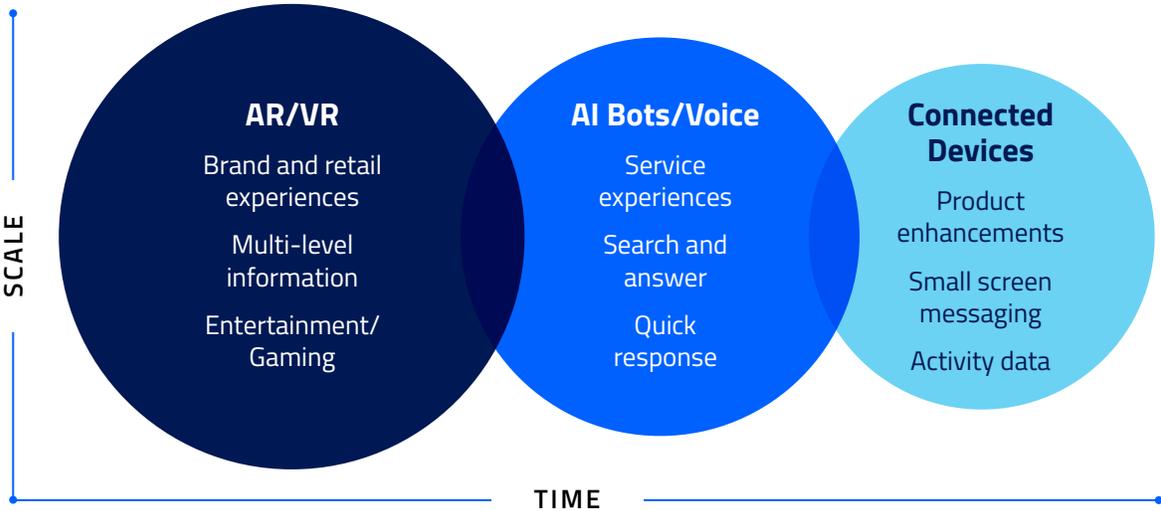
Proper Alignment of Interfaces to Applications Will Drive Early Deployments

According to the marketers surveyed in this report, each interface is best matched to specific opportunities, and these matches help determine how soon they will invest (SEE FIGURE 7).

- **AI benefits customer service.** Travel companies can boost reservations when weather causes grief, ecommerce can deliver self-service more simply, and software companies can increase support time for routine calls without added head count.
- **New ‘realities’ for experience-led marketers.** Auto, travel, entertainment, fashion, beauty, and other industries stand to benefit from AR and VR extensions of what they are already doing. The ability to allow someone to “feel” a product or place — driving purchase decisions as a result — should feed brand health and bottom lines.
- **Experiences that enhance digitization of brands/products will grow first.** Organizations looking for a digital brand extension, from CPG to furniture to sneakers, can mine AR and wearable/IoT opportunities.
- **Data derived from experiences will contribute to the investment decision.** Nearly all the marketers we surveyed (95%) view integration of emerging interfaces with their internal data as important or critical. That requirement will delay some early investment by less data-intensive companies and give technology vendors with strong APIs a leg-up on the competition

FIGURE 7: The Best Fit For Emerging Interfaces

Applications for emerging interfaces



THE GAME PLAN FOR ADOPTING EMERGING INTERFACES

For marketers on the fence about taking the next steps with these emerging interfaces, the following is a list of items to help prepare for this next wave:

1. Monitor development closely.

Smartwatches were lagging for years, then 2017 became a growth story, far ahead of lowered expectations. The same holds true for AR, which is moving beyond custom hardware to iOS and Android devices, thanks to the launch of ARCore and ARKit. According to eMarketer, voice assistants will be used by nearly 36 million consumers by the end of 2017, having shown nearly 130% growth over 2016.

2. Hire innovative storytellers.

Stories that are told in linear format will need to be rethought in the context of mixed-realities, intelligent, yet automated responses, and communication that works on wrist-sized screens and dashboard displays. This will require an upgrade to full-on UX developers within the marketing team.

3. Map interfaces to consumer journeys.

With customer experience on everyone's mind, it's now time to place emerging interfaces in the mix. Over 80% of marketers surveyed in this report believe integration of new interfaces must tie to first-party data, which means the vendors from all parts of the ecosystem — data providers, data hosters, creative agencies, media agencies, and technology vendors — must cooperate with each other, just as they do when it comes to connecting third-party data with first-party attribution.

4. Find proactive agencies and vendors.

Agencies will want to find opportunities to experiment and prove that investments in emerging interfaces turn into longer-term business results. There are examples of this experimentation already underway. Brands like L'Oréal, Land Rover, and Acura are testing AR to create "try before you buy" experiences that change how consumers sample products and that make better use of showroom space. Amazon is considering AR as a way to sell furniture and appliances without having to add big-box retail footprints to its holdings.

5. Don't expect sophisticated measurement or aggressive ROI in the short-term.

Emerging interfaces will help your brand in unexpected ways — the halo effect of being a leader, the learnings about customer behavior that drive innovation, a new degree of data collection, the ability to attract millennial interest, and other less expected outcomes — but it is important to manage expectations in terms of sales results, all the while celebrating when learnings and incremental sales do show positive outcomes.

About Ascendant Network



Ascendant Network runs two networks for marketing professionals; the Retail Ascendant and the Digital Ascendant; each is home to twice-yearly events and a selective community (invite-only via nominations) of senior change agents (VP, SVP, and C-level) spearheading today's marketing evolution. Each gathering brings together 100 transformative marketers from the nation's most progressive brands to share + connect + tackle industry problems. Its closed-door/no press forum is deliberate — it supports candid sharing and relationship-building among the industry's "who's who".

Ascendant Network also produces &THEN, a conference and trade with 4,000 attendees for the Data & Marketing Association and custom Ascendant Boot Camps for F500 enterprises.

About Verve



Founded in 2005, Verve has always recognized the potential of mobile and its unique ability to reach people no matter where they choose to go. Since day one, Verve set out to create a dynamic location mobile marketing platform to help advertisers, large and small, utilize the power of connecting with consumers on their devices in real time. Verve's mobile experts continue to invent and build solutions with consumer engagement as a guiding principle. Harnessing the power of location-context mobile data, Verve believes that mobile advertising is more than a message; it is an experience that connects consumers with the brands, publishers, and moments they value.