

MARKETING

Mary Meeker: Mobile advertising a \$22B opportunity in US

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Live streaming takes user-generated content to a new level

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While the years of easy growth are behind the Internet industry, per Kleiner Perkins partner Mary Meeker in her annual Internet Trends report, opportunities exist, including at the intersection of data, mobile, voice and images.

Pointing to businesses such as Snapchat, Stitch Fix, Houzz and Amazon Alexa, Ms. Meeker underscored the potential in harnessing consumers' always-connected status and interest in expressing themselves increasingly via images. With advertisers still underspending on mobile relative to how much time users are spending on their devices, there is a \$22 billion opportunity here as well.

"Adjusting to slower growth, higher debt and the aging popular creates risk for all of us, but it also creates a load of opportunities for businesses that can innovate, increase efficacy, lower prices, create jobs and as well all know, the Internet can be at the core of this," Ms. Meeker said, during her presentation at the Code Conference last week.

Smartphones growth slows

Slower smartphone growth and other indicators suggest marketers will need to work harder than ever to find new opportunities.

Some of the major growth drivers over the past few years are losing steam, per Ms. Meeker. These include slowing connectivity growth, slowing growth in emerging countries, rising government debt, low interest rates and slowing population growth.

Globally, the growth in smartphone users is slowing, up just 21 percent in 2015 versus a previous growth rate of 31 percent in 2014. Smartphone shipments are faring even worse, up just 10 percent compared with 28 percent previously.

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KFC's Love at First Bite campaign

By operating system, iOS smartphone shipments are expected to decline 11 percent in 2016 while Android shipments will grow 7 percent.

With mobile penetration already high in more developed, affluent countries, new users are going to be harder to garner in less developed and less affluent countries.

Rightsizing mobile spend

Despite the challenges, there are opportunities.

Internet advertising continues to grow at an accelerating rate, up 20 percent in 2015 versus 16 percent in 2014. Mobile is a big driver of the growth, up 66 percent in 2015 compared to an increase of 5 percent for desktop.

Google and Facebook are also big drivers, together commanding a 76 percent and rising share of growth.

Despite the growth in mobile, advertisers continue to over-index in their spend on TV and print compared to the amount of time spent by consumers and under-index on mobile.

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The View In My Room tool on Houzz

As a result, there is \$22 billion opportunity in mobile advertising. This is based on data showing consumers spend 25 percent of their media time on mobile while advertisers spend only 12 percent of their budgets here.

Part of the problem is that many online ads, particularly video ads, are ineffective. The reports points to research from Unruly that shows 81 percent of consumers mute video ads, 62 percent are annoyed with pre-roll ads and 93 percent are considering using ad-blocking software. Ad-blocking use on mobile has grown significantly in the past year.

Vertical, authentic and contextual

The report points to Snapchat as a platform that is providing video ads that work thanks to being vertical, authentic, contextual and brief.

For example, a 10-second Spotify ad in Snapchat Live Stores and Discover produced a 30 percent lift in subscription intent and was two times more effective than other mobile channels.

In retail, new opportunities are emerging that take advantage of consumers' always-on connectivity, hyper-targeted marketing, images and personalization.

Stitch Fix is one example. The site uses Netflix-like content discovery for fashion, collecting data about customer preferences and then allowing users to try on products selected by stylists at home and return items they do not like.

The formula is working, with 39 percent of customers reporting that they get the majority of their clothing from Stitch Fix, up from 30 percent a year ago.

Image-driven consumers

Images are of growing importance in reaching Internet consumers today. This is evident in Gen Z consumers, who are more likely to communicate via images and in the growth of live streaming platforms.

Daily video views on major platforms continue to grow quickly, reaching 10 billion video views per day on Snapchat in the first quarter of 2016.

Increasingly, smartphone use is about leveraging the camera, storytelling, creativity and messaging or sharing, per Ms. Meeker.

In this scenario, Snapchat looms large with both consumers and brands.

Geofilters are enabling brands to be integrated into Snapchat Snaps by users. Kentucky Fried Chicken's Love at First Bite geofilter was offered at more than 900 locations in Britain and applied more than 200 thousand times, with a 23 percent visitation lift within seven days of seeing a friend's geofilter.

Branded Snapchat lenses and Facebook filters are also increasingly being applied by users.

Live streaming roars

Live streaming is bringing taking user-generated content to the next level.

A recent video posted on Facebook Live by a Kohl's customer showing her try on a Chewbacca mask quickly became the most viewed live video with more than 153 million views. The video mentions Kohl's two times and Kohl's became one of the leading apps in the Apple App Store following the video. Demand for the featured product also rose dramatically.

Live streaming's potential around live sports is just getting started, per Ms. Meeker.

The number of images being shared on the top platforms also continues to grow.

Image-driven peer-to-peer marketplace OfferUp is growing more quickly than eBay did at the same stage in terms of gross merchandise volume. OfferUp users spent 25 minutes per day on the site in 2015, up from 13 minutes in the previous year.

Houzz is also discovering the power of images combined with personalization. In February, the home decor site launched View In My Room, enabling users to view products in any room using a smartphone's camera. Half of users who have made a purchase since, used the new service.

Voice interfaces get louder

Messaging platforms are evolving with more tools for self-expression, including GIFs, emoji and stickers.

Business-based conversations are also playing a bigger role. Hyatt started offering customer service on Facebook Messenger in November, 2015, and saw a 20-times increase in messages received in a month.

Messaging apps are increasingly becoming the second home screen on smartphones.

Voice could be the most efficient form of computing input. It is fast, easy, personalized, context-driven and keyboard free.

The technology continues to improve with greater accuracy, reaching 90 percent for major platforms.

Use of mobile voice assistants is growing quickly, reaching 65 percent of smartphone owners in the U.S. in 2015.

Voice search queries on Google have risen 35 times since 2008 and seven times since 2010.

Amazon's Alexa voice service now boasts 950 branded skills or apps, up from 14 in the fall of 2015. Echo, the hardware for using Alexa in the home, has sold 4 million units since its launch in November 2015.

"In the computing industry, inflection points are often only obvious in hindsight," Ms. Meeker said.

"So ask the question, iPhone sales may have peaked in 2015 per most analyst's forecasts while Amazon Echo sales are just beginning to take off," she said.