KEY DIGITAL TRENDS FOR 2015: WHAT'S IN STORE—AND NOT IN STORE—FOR THE COMING YEAR

eMarketer executive editor Noah Elkin identifies five key trends that will have a big impact next year and five emerging trends that might blow up—but might not—and five things you don't have to worry about.

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eMarketer is pleased to make this report available to you.

This report is a great example of eMarketer data and insights that focus on how consumers spend time and money; and what marketers are doing to reach them in today's digital world.

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Best,

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EXECUTIVE SUMMARY

Looking ahead to 2015, there will be things you need to worry about and things you don't. This report covers 15 things to keep in mind for the coming year.

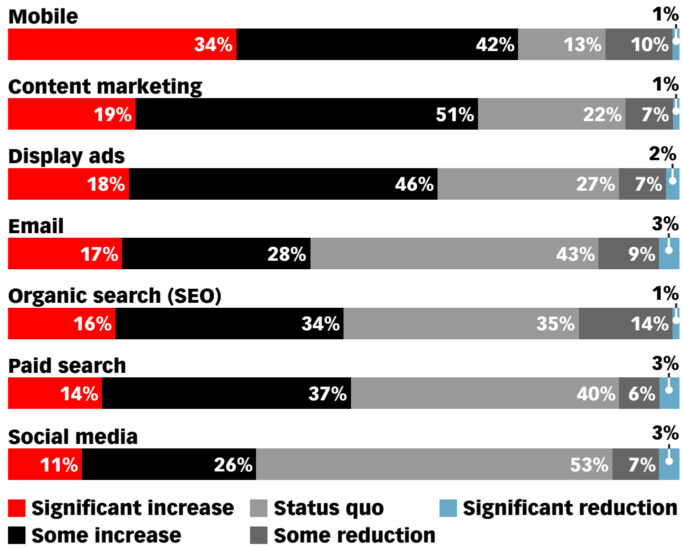
The format of the report is straightforward: We list five "sure bets"—key trends that will have a big impact on marketing—five "maybes"—emerging trends that might blow up, but might not—and five "definitely nots"—things you don't need to worry about.

KEY QUESTIONS

- **What shifts in consumer behavior and technology adoption will have the greatest impact on marketing in 2015?**
- **What channels hold the most promise for marketers?**
- **What trends are more hot air than hard reality?**

Projected Budget Changes in 2015 According to Marketers Worldwide, by Channel

% of respondents



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FIVE KEY THINGS YOU NEED TO KNOW ABOUT 2015

The core metrics of 2015 won't look that different from 2014. What will change is how marketers and media companies deal with the shifted reality of mobile-enabled, always-on consumers. Here are five trends that, in eMarketer's view, are near certainties for the year.

1. 'RESPONSIVENESS' WILL RULE

In a world where literally everything is becoming digital, marketers face the challenge of being present and relevant across an ever-expanding array of devices, interfaces and touchpoints.

In short, marketers who are responsive will succeed in 2015.

By this, we aren't talking about the narrow definition of real-time marketing—being the first brand to respond to a breaking news story with a clever tweet. Nor are we specifically referring to responsive design, the system of fluid site design that lets publishers serve one set of content to all device types.

Rather, we're talking about the underlying precepts of real-time marketing and responsive design—being fast, flexible, fluid and contextual—and applying it to everything that marketers do.

In 2015, be responsive or be obsolete.

2. MOBILE SEARCH WILL SURPASS DESKTOP

In a year punctuated by mobile-related milestones, one in particular stands out. 2015 will see mobile search reach the tipping point—the stage at which the majority of spend, organic traffic and paid clicks comes from smartphones and tablets, surpassing traditional desktop/laptop search activity.

For marketers, there is an important caveat: Return on investment (ROI) has *not* reached a similar tipping point. ROI on mobile search is improving, but it will continue to trail desktop search ROI next year—and further into the future, until mobile performance measurement, particularly in relation to the impact on sales in physical stores, gets more precise.

But the ubiquity of smartphones, and consumers' growing use of phones in almost every waking moment of the day, means that search will be more mobile than desktop next year. The importance of search in the digital experience makes this a trend that bears watching.

3. PROGRAMMATIC WILL MOVE BEYOND DIGITAL DISPLAY

Another tipping point in 2015: programmatic advertising. We expect programmatic will cross the line to make up more than 50% of all digital display advertising.

But the story of programmatic will go much further than display next year.

The same momentum and technologies that have reshaped how we buy display ads could eventually transform how we buy all forms of advertising, not just digital but traditional as well. Programmatic TV, for example, accounts for less than 1% of all TV ad spending, but some predict it could be a multibillion dollar industry within 12 to 24 months as both buyers and sellers use it to better understand their audiences.

Some forecasts have that number jumping to as much as 20% of all TV spending by 2018. That's a huge increase, and even if it's half or a quarter of that, we're still talking about very big money here. Expect the tide to begin to turn in 2015.

4. THE INTERNET OF THINGS WILL BECOME A THING

The internet of things (IoT) has been a topic of debate among technologists for years, but the term is only just making its way into the mainstream. In fact, a May 2014 survey conducted by Edelman Berland for GE found that 44% of business executives worldwide had never heard of the internet of things.

That will change in 2015.

There's little doubt the world is moving inexorably toward a more connected future, but the speed with which consumers and enterprises make the transition is still very much unclear.

For marketers, the potential of the internet of things is twofold:

- **The first opportunity is the sheer mass of new, connected products and services to be sold to both consumers and enterprises.**
- **The second lies in the data to be harvested from all the new, connected objects and the ways people interact with them. The opportunity is not about new screens, it's about the massive insights to be gleaned. The challenge, as with omnichannel marketing, will be to link the data effectively.**

Considering that most marketers are already struggling with data overload from the array of touchpoints they currently manage, adding exponentially more objects and more data is no small challenge.

Next year will be a good time to start the process of coming to grips with that challenge.

5. CROSS-DEVICE TARGETING AT SCALE

Consumer behavior today is all about multiscreen multitasking. Marketer behavior, up until now, not so much.

In 2015, we will see cross-device targeting at scale. It won't be perfect, but Facebook—with the relaunch of Atlas, which the social network acquired from Microsoft in February 2013—has shown it can work. That will push other publishers to come up with other viable solutions enabling advertisers to buy audiences, not channels, more seamlessly. Advances in user identification, retargeting and the use of location data will boost marketer confidence and spending.

Still, progress on the cross-device front will continue to be uneven. Our ability to reach and target consumers will outpace our ability to measure and attribute their actions—yet another example of marketers playing catch-up with their audiences.

FIVE THINGS THAT MIGHT GET BIG (BUT MIGHT NOT)

Even Mattel's Magic 8 Ball leaves room for a little hazy future-casting. Here are five digital trends about which we are inclined to say, like the Magic 8 Ball says, "Ask again later."

1. WEARABLES: NOT QUITE READY TO WEAR

Wearable device shipments are likely to register triple-digit growth this year, so next year has to be the big breakout year for wearables, right?

Maybe, but probably not.

First of all, it's not that surprising that growth should be dramatic, not only because it's coming from a tiny base, but also because it covers a huge number of different kinds of devices—a variety so wide that in aggregate they almost don't add up to anything in particular.

More importantly, no one has come up with the truly transformative product that sends a figurative shiver through the market. Apple managed that with the iPhone and then the iPad, and so it is possible that the company will do it again with the Apple Watch.

Wearables almost certainly will be the next revolution in personal computing—in line with the progressive downsizing of computing devices—and many prognosticators are betting that watches will be the category standout. But forecasts vary wildly.

At this point, penetration among US consumers is low across all subcategories of wearables.

2. MOBILE PAYMENTS? WAIT UNTIL NEXT YEAR

We've been hearing about the death of the wallet for several years now, but so far, if you're in the leather goods business you haven't really had anything to worry about.

Despite high-profile attempts from everyone from the biggest tech companies to the scrappiest startups, digital wallets and mobile payments have yet to make much of a dent in how we pay for things. We still reflexively pull out our cash or credit cards when it comes time to pay. There have been some exceptions. Starbucks has been very successful in getting its customers to pay with the Starbucks app, but that is at the moment the proverbial exception to the rule.

Apple's entry in this segment with Apple Pay, available on the iPhone 6 and 6 Plus (as well as the forthcoming Apple Watch), could be a big catalyst for mobile payments, but we're talking about a fundamental change in consumer behavior that is unlikely to happen in the span of 12 months or less.

That's why we say wait until at least the year after next.

Many consumers are still skeptical about using mobile payments near-term, but most can envision a future where paying with a phone becomes as common as paying with a credit card. If consumers can accustom themselves to purchasing coffee with a phone, it's not a great leap for them to start using phones to pay for gas, cab fares or groceries.

But the transition requires changes among merchants as well, and for them, the issue is risky, because there are and will continue to be competing payment schemes in place. They don't want to go to the trouble of installing a payments system that no one actually uses.

So for the next 12 to 18 months, we're going to see steady progress, but look for usage and transaction values to take a bigger jump in 2016.

3. NEW LIFE FOR SOCIAL COMMERCE

Not too long ago, social networks looked like a perfect match for ecommerce. The opportunities for gift-giving and for virtual socializing seemed a natural fit, particularly with Facebook.

But as is now all too evident, we don't want to use Facebook for shopping.

That hasn't stopped social networks from trying various schemes to get consumers to shop. A case in point is Twitter's recent announcement of an in-tweet "buy" button.

Twitter (and anyone else who tries) will have their work cut out for them: According to August 2014 polling conducted by Harris Poll for DigitasLBi, just 5% of US adult internet users had made a purchase on a social network such as Facebook, Twitter or Pinterest.

But looking to Asia-Pacific, social commerce is emerging via a different channel: chat apps. These apps have evolved from pure messaging to vibrant social and commerce platforms, complete with digital wallets and branded accounts.

There are a lot of reasons why the model has evolved differently in developing markets—the lack of a PC-centric internet experience in particular—so what you see in China today isn't necessarily what you'll see in the US tomorrow.

But it's worth thinking of the success that brands have had on these new social networks with the miniaturization of the brand and commerce experience. That's a tough leap for many brands, but the fact you even have luxury brands in China doing it says something about the opportunity.

4. WILL CONTENT MARKETING SPUTTER?

Remember the days of ad clutter? Remember when content marketing was the perfect way to get around that problem?

Today, the vast majority of companies are utilizing content marketing, and most research suggests they plan to increase their investment in it.

It seems reasonable to wonder, then, if 2015 might not be the year that content turned into clutter.

In a June 2014 survey from Social@Ogilvy conducted by SurveyMonkey, over 6,500 social network users worldwide were asked whether they felt they were seeing too much branded or advertising content on their social networks. Some 60% said they were seeing somewhat or far too much.

So at this stage, brands should be thinking about listening more and speaking less, focusing on relevance over quantity, trying to segment and target content more effectively and shifting the balance from content creation to content amplification.

That's all a fancy way of saying that the time of "more is more" may have passed, and the time of "less is more" may be back.

5. CORD-CUTTING: STILL MORE HYPE THAN REALITY

There's no shortage of survey research around cord-cutters—consumers who are getting rid of their pay TV subscriptions—but there's more hysteria than fact.

Yes, some consumers are cutting the cord, but they're in the low single digits percentage-wise. A more real behavior is cord-shaving, where consumers reduce what they spend, rather than eliminating it altogether.

Individuals in all age groups are still watching a ton of TV the traditional way, even millennials.

Of course, now that HBO has announced plans to offer HBO GO as a standalone service, all of that could change, especially as other networks rush to follow suit. So, as they say, don't touch that dial: Unbundling could accelerate consumers' latent thirst for cord-cutting.

What that means is you need to pay close attention to consumers' shifting video consumption habits. TV is holding steady. It's still the media big dog … for now. But mobile is the channel that's growing. With all the time, money and attention flowing to digital video, marketers that lack deals with content owners and dynamic advertising are going to miss the boat.

FIVE THINGS YOU WON'T NEED TO WORRY ABOUT

There are things that will happen in 2015. There are things that might happen. And then there are things that will not. Here are our predictions for five things that you don't need to think about next year.

1. THE DESKTOP

Yes, you read that right. You don't need to worry about the desktop in 2015.

It's not just because consumers are spending less time on PCs—that's a secular trend eMarketer has been tracking over the past five years—but also because consuming digital content in a nonlinear manner, using whatever screen is most convenient at any given time, is now commonplace. In fact, we'd even go so far as to say simultaneous usage of devices has become intrinsic to content consumption.

For marketers, that requires a shift in thinking and focus—away from channels to audiences, and reaching them on whatever device or screen they're using. That's everything from the traditional to the digital to the burgeoning realm of the internet of things, including connected cars and connected home devices.

2. QR CODES: NOT THE NEXT BIG THING

QR codes are not going to go away any time soon, but neither are they going to become a mass technology.

You can expect to see the codes being used in conjunction with print media and for delivery of coupons by retailers and grocers, but they're not going to be a big customer engagement mechanism.

Rollouts of QR codes have been riddled with mistakes—the poster in the subway where there's no network connection, the QR code on the billboard too far to scan properly and the almost inevitably disappointing experience that QR codes deliver once they have been scanned.

The number of consumers who scan barcodes will grow for a few more years, but that's primarily a reflection of the growing smartphone population. The percentage of smartphone users who are scanning barcodes is plateauing.

3. SOCIAL TV: THE CONVERSATION IS PRETTY QUIET

Possibly the most memorable thing about this year's Academy Awards was the "selfie heard round the world" that Ellen DeGeneres posted to Twitter, all facilitated by Samsung, which sponsored the stunt.

That was the pinnacle of social TV.

Interactions and success stories like that one are the exception, not the rule. Consumers regularly use mobile devices while watching TV, but only a small percentage talk about what they are watching via social media.

TV-related conversations are also fragmented across platforms, and industry executives are still unsure of the effect of social media on people's viewing behaviors or on ratings.

Consumers aren't really engaging in social TV marketing efforts, and marketers are holding back as a result. That's not going to change in 2015.

4. BABY BOOMERS: GOING BUST

Unless you're selling healthcare, you probably don't need to worry about marketing to boomers online.

The fact is, boomers aren't all redecorating their country house, buying BMWs or lounging in twin hot tubs on the hillside. Life changes—children leaving home, jobs ending, the prospect of long years of retirement—mean changes in spending patterns.

And it is the case that the only major expenditure category that grows as we age is healthcare. Everything else goes down.

So put it this way: It's not that boomers don't have money to spend, it's just that the money they do have is somewhat up for grabs as they re-adjust priorities to enjoy their golden years.

5. PRIVACY? SECURITY? YAWN.

eMarketer projects increases in essentially every form of digital activity this year—from social network participation to smartphone uptake to online shopping.

Which is another way of saying that privacy and security concerns are simply not going to derail digital growth next year.

2014 has seen massive data breaches at major retailers, repeated downloading and reposting of supposedly locked and secure personal data (including images, of course) and a contentious public debate about the extent of government snooping … without any apparent effect on digital usage.

The general population has proven beyond a doubt that it does not care about privacy or even security if protective measures inconvenience their digital habits. Users may claim to be worried about security, but their actions speak louder than words.

Only an apocalyptic security meltdown would be likely to dent the growth of sharing and shopping via digital channels. And even if a worst-case scenario were to play out, somehow it's hard to imagine the average Joe locking his smartphone home screen or discarding his beloved "Password1234" logins.

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