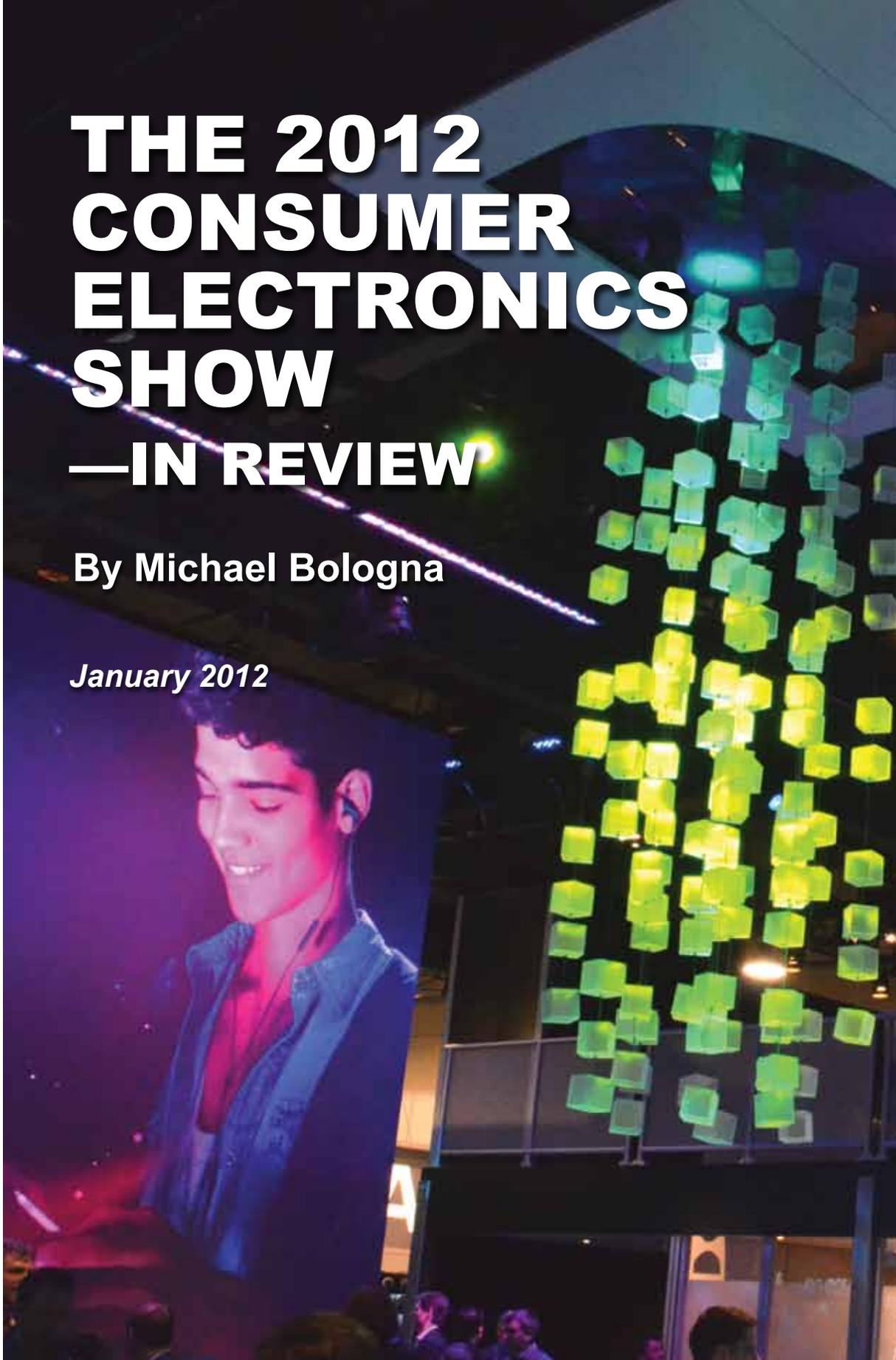


THE 2012 CONSUMER ELECTRONICS SHOW —IN REVIEW

By Michael Bologna

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The terms “connectivity,” “interoperability,” and “cloud” echoed through the 1.8 million square feet of exhibit space at the 2012 Consumer Electronics Show in Las Vegas earlier this month.

With more than 153,000 attendees and 3,100 exhibitors, this was the largest event in the 44-year history of CES, making the projected global consumer tech spend, currently estimated to hit \$1 trillion by the end of 2012, almost believable. There were also over 5,000 media and marketing professionals in attendance, fur-

ther demonstrating how this event has evolved in recent years.

Unlike in previous years, there was no ubiquitous product, device, or gadget that stole the show; instead, the 2012 spectacle tended towards improvements, advancements and the evolution of familiar products like Connected TVs, Tablets, and Smart Phones. This should prove advantageous for advertisers, considering the average product’s three-year lag from CES announcement to real media campaign execution.

As usual, TVs took center stage, with the big brands showcasing their smartest, thinnest, and most picture-perfect products. Samsung’s 55-inch OLED was the most newsworthy, with a breathtaking display along with motion/voice control and face recognition software. Sharp introduced the

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world’s first 8K resolution TV, which is roughly 16 times greater than standard HD. Products with 4K resolution were more common, although viewing either resolution on a screen that’s less than 55 inches is pointless.

What was not visible at the show was evidence that technology for flat panel screens is improving at a rate that 80-to-100 inch screens will be affordable within three years, which is the reason for the 4K push. Advertisers should continue to produce ads in traditional High Definition as there is no commercial implication to 4K at this time.

3-D viewing generated a fair amount of hype, but netted a similar result as last year. Despite universal glasses and improved versions of “glass-free” sets, bandwidth is still too costly for programmers to make the investment in 3-D for 2012. Outside of select sporting events, 3-D will be primarily a theatrical and gaming experience for the current year. As with HD 6 years ago, advertisers should keep the 3-D conversations





open with network partners, but should not expect any real activity until 2014 or later.

Attendees commonly used the terms “interface,” “ecosystem,” and “over the top” in reference to the future of television. Defined as the essential connection between devices, services, operating systems, and content, a consistent ecosystem is the most critical component needed to deploy advanced ad functionality across Smart TVs with any scale. Today, and for the remainder of 2012,

advertisers should expect a very fragmented approach to advertising across Smart TVs, similar to current advanced TV advertising delivered through the set top box via the MSO. It is worth exploring advertising campaign conversations with ROVI and YuMe, as the two combined will penetrate close to 40 percent of the estimated 27MM connected sets with an advertiser friendly model.

Over the top content distribution was a sensitive topic in 2011. Many in the industry assumed that the deployment of Smart TVs would encourage viewers to move away from the linear stream, thereby putting ad dollars in jeopardy. This proved untrue as cable operators threatened networks

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with reduced transmission fees should they supply TV OEMs with applications. At CES 2012 we heard a variety of announcements from Comcast, Time Warner, and Verizon surrounding development of applications for Panasonic and Samsung TVs. This simply means that viewers can watch what they want through their smart TV without the aid of a set top box, so OTT does not necessarily mean cord cutting. In order for any OTT model to work it must resemble a “TV Everywhere” model. Professionally produced content is necessary for this kind of initiative to succeed.

For 2012, advertisers should focus on the data that can be derived from Smart TVs. Sony’s Gracenote launched its version of Automatic Content Recognition, which will enable the development of more sophisticated applications (via audio fingerprinting) that identify and recognize audio and video content. Technicolor has introduced M-GO, which keeps track of viewing habits and makes

personalized recommendations. This process could also be applied to advertising and assist in audience identification, message management, and re-targeting.

In 2011, we arrived at CES expecting to see an iPad killer, and instead we saw a few new devices and the introduction of Android on a limited basis. This year we were overwhelmed with tablets that carry lower price points and higher resolution (OLED) screens. Android was everywhere and the lines were completely blurred





between laptops, tablets and smart phones, most notably the Samsung Galaxy Note. This Droid based phone tablet cross-over features a 5.3-inch screen. Toshiba jumped back in the tablet race with a 10.1-inch display, while Lenovo introduced a 13.1-inch version, which is larger than some laptops. At this point less than 40% of U.S. advertisers have mobile enabled websites and even fewer have fully developed tablet strategies. Marketers should take a close look at the deployment of mobile devices in the current year and consider implementing a new or improved mobile strategy.

Intel believes a tablet could never replace laptop computers, and have enabled a new class of PCs called Ultrabooks. They use solid state memory which means they rely on the cloud instead of a hard drive. They resemble the MacBook Air, but run Windows and are cheap in comparison. With most manufacturers offering one, these super slim devices will offer an alternative to tablets in 2012. Advertisers should keep in mind that this mobile revolution will put more people in front of two screens at once than ever before. Tablets and smart phones will enable a wave of interactive television never before seen. Forget about single screen interactivity via the remote; the sheer increase in the number of tablet/smart phone households will incentivize programmers to develop content for viewers to engage with at a deeper level via their mobile device. This means higher engagement, more data and better accountability.

Technology evolution aside, the piece of CES that excited me the most was the amount of people in our industry that were present and doing business. I have never been an advocate for using CES as common ground to have a meal and/or conduct business that could just as easily be done back home. CES is about identifying technology that will impact our business over the next 18-36 months so that we can strategically prepare to take advantage of these advances to benefit our clients' businesses. That said, I was pleasantly surprised to see colleagues, clients, partners, and competitors engage in a pleasant mix of floor time, relevant meetings, and meaningful conversations all in the spirit of the future of media and advertising. CES 2012 was by far the most successful event to date, and I look forward to CES 2013 with great anticipation.

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