



ARTILLRY DATA BRIEFS

ADVERTISERS AREN'T SOLD ON AR... YET

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AR could represent a promising format for advertising, given its potential for immersive and engaging UX. But there are significant challenges in early days, as we've examined. Those include a learning curve for truly native experiences, and a lack of reach.

Though AR compatibility is high, active usage isn't... and advertisers are all about reach. Further diminishing available ad inventory in AR is short session lengths. AR is a snack, not a meal, which provides less opportunity (inventory) to infuse ads or sponsored material.

These challenges were validated in a recent Boston Consulting Group survey of marketing executives (see chart on next page). 42 percent of respondents report hesitance with AR advertising because of the inability to reach audiences at scale. Again, advertisers are all about reach/scale.

The second biggest response was that the medium is too new and experimental, with limited proof points. This is telling: in addition to being reach driven, advertisers are also tech laggards and late adopters. They follow the eyeballs, but generally as a trailing indicator.

These results also speak to the need for more education. There are indeed proof points for mobile AR's effectiveness developing today... but these advertisers just don't know about them. They even report limited internal expertise on AR, as well as awareness and time.

For example, we've examined mobile AR's ability to boost purchase intent in commerce scenarios (e.g. visualizing products in home). Snapchat also recently reported that AR lenses drive 15 percent lifts in purchase intent and a 9 percent lift in product sales.

It will take a while before more of these proof points are established, published and seeped into Madison Avenue culture. Along with the above challenges (ad inventory constraints, short sessions, low/early engagement) it will be a while before this cultural shift happens.

We'll circle back soon to unpack some of our own XR ad revenue projections from the recently-published XR Global Revenue forecast 2017-2022. Spoiler alert: we're pretty bearish on meaningful ad revenues in the near term for AR, and even more so with VR.

(SEE DATA CHART ON NEXT PAGE)

Barriers to Increasing Augmented Reality Marketing Spending at Their Company According to US Senior Marketing Executives, Jan 2018

% of respondents

Market maturity

Unable to reach my audience at scale

42%

Lacks track record of results, is too new and experimental

35%

Requires too large an investment

35%

Unable to target the audience I want

4%

Impact and measurement

Impact or ROI is unclear

42%

Impact or ROI clear but low

27%

Currently do not have robust measurement capabilities

27%

Capabilities and capacity

Lack of internal expertise

31%

Lack of awareness

16%

Lack of time or people to manage another platform

8%

Unable to get what I want from agency relationship

8%

Note: n=26 among the top 200 US advertisers who currently use first- or third-party AR solutions; respondents selected their top 3

Source: Boston Consulting Group (BCG), "Augmented Reality: Is the Camera the Next Big Thing in Advertising?" April 13, 2018

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About ARtillry Intelligence

ARtillry is a publication and intelligence firm that examines augmented reality and virtual reality, collectively known as XR. Through writings, data and multimedia, it provides deep and analytical views into the industry's biggest players and opportunities. It's about insights, not cheerleading.

Run by career analyst and journalist Mike Boland, coverage is grounded in a disciplined and journalistic approach. It also maintains a business angle: Though fun and games permeate VR and AR (especially the former) long-term cultural, technological and financial implications are primary.

Learn more at <https://artillry.co/about>





About the Author

Mike Boland was one of Silicon Valley's first tech reporters of the Internet age, as a staff reporter for *Forbes* (print) starting in 2000. He has been an industry analyst covering mobile and social media since 2005, and is now Chief Analyst of *ARtillery Intelligence*, covering emerging tech.

Mike is a frequent speaker at industry conferences such as VRLA, ad:tech and LeadsCon. He has authored in-depth reports and market-sizing forecasts on the changing tech & media landscape. He contributes regularly to highly read online news sources such as *TechCrunch*, *Business Insider* and the *Huffington Post*.

A trusted source for tech journalists, his comments have appeared in A-list publications, including *The New Yorker*, *The Wall Street Journal* and *The New York Times*.

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