

# The 3rd Space - A New Advertising Canvas for Virtual Content

**BRETT LEARY**

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If you're an advertising and marketing executive working within the retail ecosystem, you might want to take a closer look at the recent news surrounding Pokémon Go. Its parent company, Niantic, just settled a class-action lawsuit brought against it by a group of U.S. property owners.

The outcome of this case will help shape the future of advertising and commerce emerging within a new advertising paradigm that we call the "3rd space." The 3rd space will be a new canvas for advertisers to move beyond today's tired 2nd space digital ads. It will be a place where content can be discovered only via the camera lens on a mobile device or wearable. In the lawsuit, the plaintiffs argued that virtual Pokémon content "placed" by Niantic within the bounds of their physical property led game players to trespass. Note this was content that could be seen only by users of the Pokémon mobile app when they were within a specific proximity to the content.

The central question that this case raises--and one that could impact how the future of location-based virtual advertising plays out (especially within retail) --is the legality surrounding the placement of virtual content within the confines of private property without the owner's consent. Answers will need to come quickly, as the innovation in this space is rapidly accelerating.

## **A VERY REAL POSSIBILITY**

Put your advertiser hat on for a second. Imagine you're at your local pharmacy or big box retail store. You're in the cold & flu aisle looking for quick relief. The choices are overwhelming. The packages all look similar, the claims are the same and the prices range from low to high. For help with a decision, you take out your phone and hold the camera view up to the shelf. Your phone screen instantly reveals product content like ratings and reviews and special offers just for you. This content appears in the air, hovering directly next to the products you're viewing.

You're able to interact with the content simply by tapping on your phone's screen. You then look to your right and see a small video screen suspended in space at eye-level within the aisle. The video is highlighting the benefits of a competitive product to the one you were just looking at. You look to your left and there stands a life-sized doctor--in video hologram form of course. She's holding up a chart that claims she's the 4th doctor out of 5 that recommends this particular brand.

Here's another scenario. You're an upstart brand that sells running shoes direct to consumers. You decide to set up virtual pop-up stores on the sidewalk just outside the entrance of every store operated by the largest athletic shoe retailer. You're a digital-savvy marketer, so you figure out how to intercept digital-savvy shoppers intent on entering the physical store looking to buy. Next on your marketing to-do list: drop a virtual shoe display *inside* each store.

### **THEY HAVE NO CLUE!**

Here's the kicker: in each of these scenarios, the retailer has absolutely *no clue* that this content exists or how it got there. Who knows? It may have been the work of a challenger brand, a start-up, or even Amazon.

Will retailers and brands view this type of virtual advertising as a form of trespassing? Will they develop a plan to reign in unchecked content placements and expand their own offerings to this space? Who actually owns the airspace within a physical store or around a physical product anyway? We'll let the lawyers hash it out, but we'll also assume that consumers will have a say in this argument, especially if they find these experiences to be of value.

### **"3RD SPACE ADVERTISING"**

We call this new virtual advertising interface the "3rd space" (not to be confused with the 3<sup>rd</sup> space vest, a popular haptic suit among gamers). 1st space was analog advertising in physical environments, 2nd space is the digital advertising you see on screens today, and the 3rd space is the interface that lives between physical and digital worlds. You can think of the 3rd space as a virtual world akin to *The Matrix*, a place where consumers and brands can attach persistent and ephemeral digital content to places and real-world objects.

Brands will be able to deliver true utility to consumers via unique ad formats that offer hyper-contextualized relevant experiences. The 3rd space will force retailers and brands to rethink what it means to operate a store--a retail experience with or without spatial and temporal boundaries.

## **ALL SIGNS POINT TO NOW**

If you think this type of mixed-reality advertising in the 3rd space is far off, think again. Start-ups like [Hoverlay](#) and big players (including Walmart) are already testing related concepts. The Chinese online grocer Yihaodian dropped virtual grocery stores into designated locations, such as tourist attractions, parks, and even within the parking lots of their physical store competitors--all the way back in 2012.

The technical underpinnings of the 3rd space are now in place and rapidly improving. The promise of 5G connectivity coupled with improved AR platform and cloud offerings from Apple, Google, and emerging players will start connecting with today's AdTech offerings. The top social media players are also investing heavily in their AR advertising offerings--see Facebook and Snapchat. And lest you forget about Amazon, don't. Their Sumerian AR platform is ramping up quickly as well.

## **HOW BRANDS AND RETAILERS SHOULD PREPARE FOR "THE 3RD SPACE" PARADIGM**

### **Brands:**

Create digital twins of your products. This means creating photorealistic 3D models of your products and packaging.

Aggregate your SKU-level content, including user-generated assets, into a content management system capable of serving content through your AdTech and retail partner's systems.

Start thinking about how your DTC commerce efforts can be enhanced with 3rd space activities. 3D models will be table stakes, but location-based virtual stores will take planning.

### **Retailers:**

Create a digital twin map for the inside and outside of your stores. How might you monetize this 3rd space? It's okay to start by extending tactics you currently leverage to enhance your 1st and 2nd spaces such as slotting fees, endcaps, and hero images, but expand your ideas to leverage creative possibilities that only the 3rd space can offer.

Develop a roadmap that ties your existing shopping tools and commerce destinations to the 3rd space. For example, will in-store shoppers simply tap a button on your mobile app to trigger your 3rd space experience? Will your eCommerce site enable every product to come to life with 3rd space content in the consumer's home?

Think about how you might personalize a shopper's experience with custom 3rd space content. How might your DMP and marketing systems power these types of experiences?

For more insights and research on where your brand can show up for consumers, check out Digitas' original research on Virtual Voice Assistants, and how they're putting brand loyalty in jeopardy: <https://www.digitas.com/en-us/press-releases/brand-loyalty-vs-virtual-voice-assistants>

LINK: <https://www.digitas.com/en-us/insights/the-3rd-space---a-new-advertising-canvas-for-virtual-content>



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## About Digitas

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