Chapter 18

MICROCONSUMPTION

What's the Trend?

As new payment models and products and experiences become available in bite-sized portions, multiple industries will experiment with micro-sized new forms of pricing and payments.

In 2014 one of the fastest growing social networks among young people under the age of 30 was built on a premise of allowing people to share a description for an activity that was once kept private: spending money.

Four years earlier, this surprisingly popular tool was first imagined by college friends and Venmo co-founders Andrew Kortina and Iqram Magdon-Ismail after one of them forgot his wallet on a trip to Philadelphia to visit the other. After borrowing $200 for that week, and struggling with the messy process of writing and depositing checks to settle up afterwards, the friends conceived an app as a solution to the problem.

At the time when the pair launched Venmo in 2010, plenty of competitive products existed, but none imagined that the process of sending payments might be an opportunity for *social engagement* as well.

This engagement was what made Venmo different from other mobile payment services. Users would send instant payments (linked directly to

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their bank accounts) and could also choose to share short Twitter-style payment summaries along with each payment.

These payment summaries were a chance for creativity and personality. Each short summary offered “a startlingly intimate look at people’s social lives,” as *Atlantic* writer Eric Levenson described. One user interviewed by Levenson took it even further, raving about how “it really does say so much about the little details of people’s lives … I love all of it. I’m so nosy. It lets me be so nosy.”

It seems plenty of users agree. In the first quarter of 2014, the Venmo app enabled $314 million in payments, which equaled the transaction volume of Starbucks’ mobile payments app in the same time period.

What makes a simple mobile payment app that lets you share quick descriptions of how you are spending your money so appealing?

According to Magdon-Ismail, “one of the reasons people prefer us, and will prefer us in the future, is just the fact that we are social. You get more value out of sharing with friends.”

There is a broader shift this represents. As friends get more used to talking about money, describing spending behavior and paying one another, they are also more easily sharing payments and expenses for everything from cab fares to bar tabs.

Ride sharing services like Uber and Lyft, for example, both offer fare-splitting features to allow friends to pay their own portions of the cab fare. A growing number of services and apps in multiple industries are seeking to apply the same principle to simplify shared payments.

Together, the rise of Venmo and fare splitting are examples of a broader shift that is affecting both how consumers expect to pay and how businesses are increasingly rethinking how they charge for them in the first place. This is *Microconsumption*.

Across the past year, one of most extreme shifts illustrated by this trend comes from how all kinds of experiences are now being priced and paid for.

Pay-Per-Laugh

At the Teatreneu in Barcelona, Spain, you won’t get a money-back guarantee on the stand-up comedy shows they often feature. Instead, they make a simple promise: if the show isn't funny, you don't pay for it. Of course, you might be wondering how exactly they will know whether you think the show is funny. What if you're lying?

At Teatreneu, that would be impossible thanks to an innovative new payment model the theater launched to worldwide media attention last year. At Teatreneu, you pay per laugh.

The theater is the first to experiment with using facial recognition in all their theater seats to track exactly how often anyone laughs. The entrance to their shows is completely free, but show-goers link their credit cards to the tablets integrated into the back of each seat in the theater. Then throughout the show, the facial recognition technology will ideally detect every laugh and charge people 0.30 euros per laugh up to a maximum of 24 euros per show.

This "pay-per-laugh" model is the ultimate in micropayments, designed with extreme efficiency to make consumers feel better about only paying for real results.

The good news is this model also happens to be stunningly effective at generating revenue as well. Consumers generally pay a higher price, are happier with the experience, and Teatreneu reports that early results show a 35 percent increase in the number of attendees and an average of a 6 euro increase per ticket prices.

Screen-Sized Payments

DreamWorks Animation CEO Jeffrey Katzenberg has an intriguing prediction for the future of film based on a very simply financial reality: 98% of theatrical releases make 95% of their revenue within the first three weekends after release. After that, Katzenberg predicts distribution will shift to an immediate access payment model based on a "pay by the inch you watch" model.

He shared his views on the future of distributing and charging for films at Milken Global Conference in Beverly Hills in April 2014:

> *I think the model will change and you won't pay for the window of availability. A movie will come out and you will have 17 days, that's exactly three weekends, which is 95% of the revenue for 98% of*

movies. On the 18th day, these movies will be available everywhere ubiquitously and you will pay for the size. A movie screen will be $15. A 75" TV will be $4.00. A smartphone will be $1.99. That enterprise that will exist throughout the world, when that happens, and it will happen, it will reinvent the enterprise of movies.

This shift to pay-by-screen-size certainly fits the growing consumer usage of multiple devices for different moments in time. If consumers, as Katzenberg predicts, could be willing to pay different amounts for different screens—it is natural to think they may also choose *how* they consume content based on this pricing as well.

Wanted: Your Attention

As media consumption behavior continues to shift among consumers, advertisers are trying their best not to be far behind. This is a fact that the *Financial Times* newspaper's marketing and development director Jon Slade is counting on.

In 2014, the international media property was one of the first to talk about using "attention metrics" as a way to charge advertisers not by impressions or clicks, but rather by the amount of time that a consumer spent reading or interacting with a particular piece of content.

There is still plenty of debate as to whether this increased time on a particular page may help an advertiser at all in a world where more and more consumers have "banner blindness," where they ignore all advertising presented online.

Still, the combination of media properties reimagining how to charge advertisers for display ads, and the shift in how film studios might price new releases based on screen size point to the potential for new models of micropayment to change how many industries will charge for products and experiences in the future.

Why It Matters

As consumption moves to bite-sized content (as discussed extensively in the earlier chapter on *Glanceable Content*), a growing range of industries is experimenting with new ways to structure pricing for their experiences to match this behavior. Thanks to platforms like Venmo, consumers become used to small transactions and instant mobile-enabled payments. Beyond just allowing for micropayments, though, this trend illustrates that larger experiences too can be charged for in smaller pieces—even down to individual laughs at a comedy show.

As more consumption takes place in short bursts, and experiences can be charged for in tinier increments, this trend of *Microconsumption* will extend to more unexpected industries in 2015 as they also reimagine how they offer transactions or experiences.

Who Should Be Using This Trend?

The first to utilize this trend will be those in the content and media industries as they work to build new models for allowing people to pay for access, or to charge advertisers to reach those users. Outside of publishers of content, this trend will also be very important to watch for any organization that can find unique ways to break up its products or experiences into smaller pieces to enable more turnkey payments, particularly in a recurring fashion. Automotive manufacturers and car rental agencies will allow consumers to rent by the minute. Media sites will charge by the story. Any industry that can rethink how their current products and services are packaged and paid for can start to utilize this trend to prepare their own models for new opportunities in 2015.

How to Use This Trend

✓ **Be first to accept different payments** – The year 2014 was filled with announcements from a number of companies wanting to become the "first to accept bitcoin" in their industries. Air Baltic was the first airline. Meltdown Comics was the first comic book store. Time Inc. was the first major magazine publisher. In 2015, more brands will aim to be first at accepting new forms of payment. As they become easier to implement without big technology investments, this opportunity to be first will continue.

✓ **Produce more bite-sized content** – Related to the idea of making your content instantly glanceable, there is also a corresponding value to keep it short and consumable. When Netflix analyzed customer sessions, they realized that 87 percent of all mobile sessions lasted less than ten minutes. The only problem was, Netflix didn't have any content shorter than ten minutes long. As a result, the brand announced in 2014 its intentions to create 2–5 minute clips designed for mobile users. This same technique can help you target consumers' desire for *Microconsumption* as well, by giving them value in short, digestible bursts.

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The 2016 Perspective

As attention continues to shrink and new technology empowers consumers to skip, filter or block out marketing messages – the necessity for advertising to evolve has become urgent. In the past year, this urgency led to plenty of angst in the world of marketing as cover stories in multiple publications focused on the "death" of advertising –challenged in all directions by online click fraud, indifferent consumers, stodgy creativity and a lack of relevance to the modern world.

The common platitude for struggling marketers is to advise creativity as the solution. In the past year, there were multiple signs that this creativity may be best directed towards the platforms themselves rather than the stories told upon them. Microadvertising, for example, is a new short form of promotional message designed to be digested in quick bursts, on mobile devices, and adept at creating engagement in a branded message through an entertaining piece of content.

One leader that emerged in the past year around this growing shift was a mobile app called MikMak which features short stoppable informercials which they dub "minimercials." The aim for these is ambitious – to get millennials to binge watch them the same way they might watch other programming. Engagement, not promotion, is the priority here. According to MikMak founder and CEO Rachel Tipograph, "we're an entertainment company first that happens to sell things."

This is a model designed to use tiny bite sized messages to drive engagement versus longer irrelevant commercial messages created for mass audiences and distributed as tone-deaf 30 second spots to be suffered through as payment for watching entertainment provided for "free".

Another innovator in the space of Microconsumption was popular morning email service The Skimm which reports over 1.5 million active users of their daily news email service and an enviable 45% open rate. "We are deconstructing morning behavior," say founders Danielle Weisberg and Carly Zakin as they talk about their ambitions fueled by the new morning ritual of checking our phones from bed.

As more marketers and providers of media continue to cater to his shifting attention span – the coming year will likely see more efforts to create smaller pockets of engagement through short form content.

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