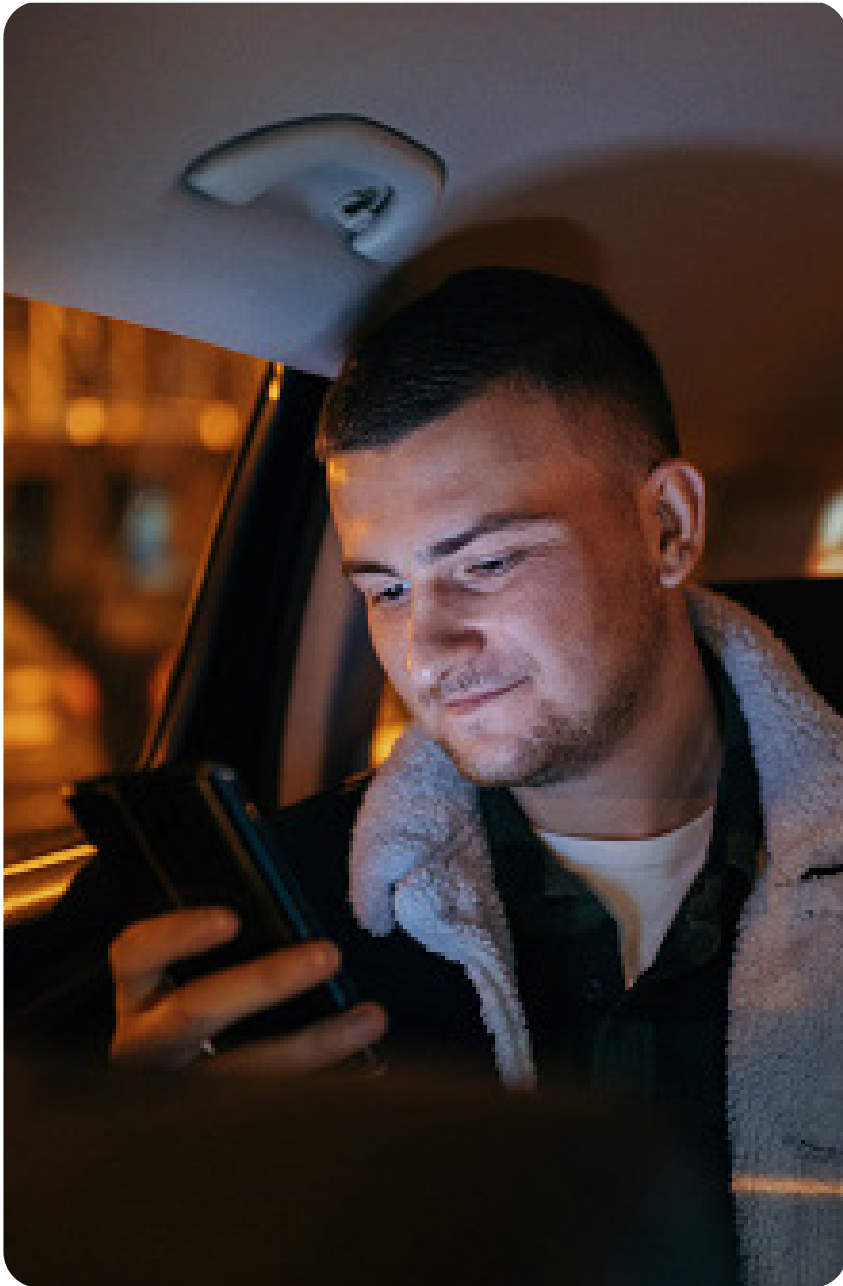


U.K. Edition  
October 2022

# The Marketer's Guide to the Third Space

How and Why Brands  
Must Reach On-  
The-Go Consumers  
Through the Untapped  
In-Car Market





## Part 1: **Welcome to the third space**

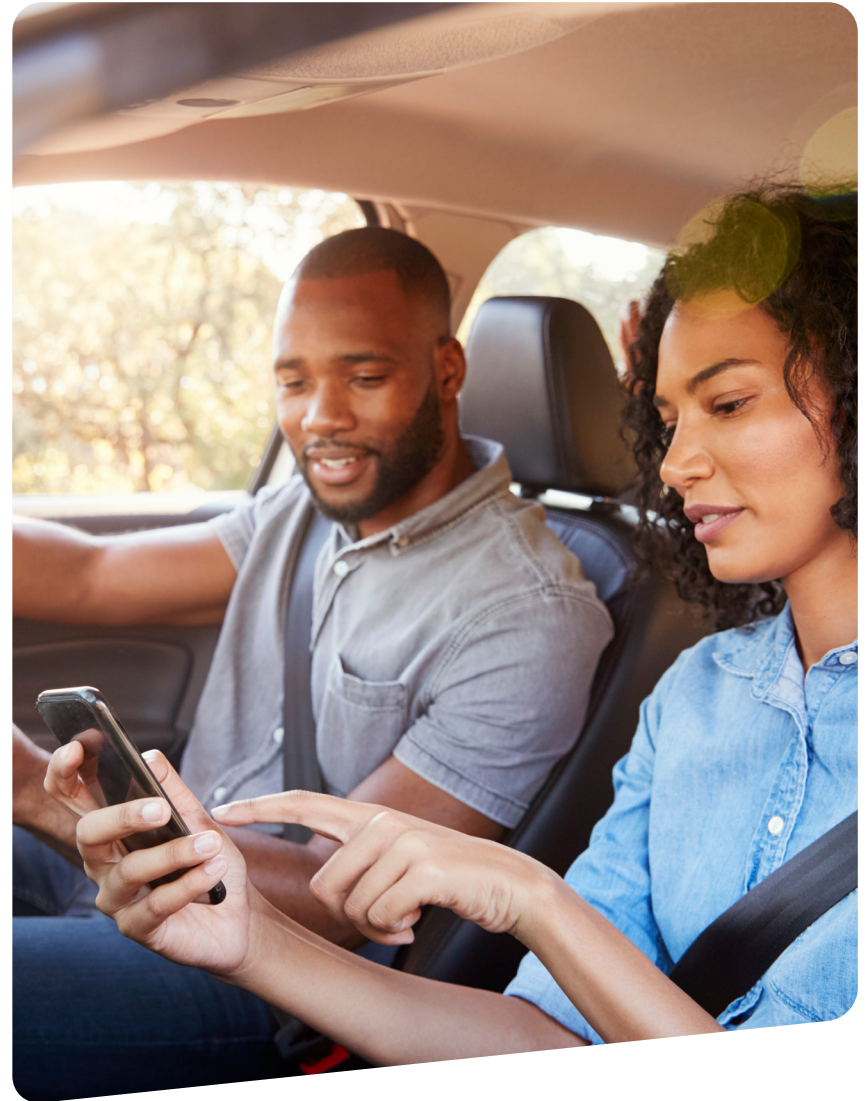
Connected vehicles drive marketers to a new route:  
in-car advertising.

Cars are no longer just forms of transport that get us from A to B, but places where experiences happen. Connectivity is adding another layer, bringing the outside world into the vehicle for a new type of engagement that has presented advertisers with a once-in-generation opportunity.

While we've gone from dial-up internet to wireless 5G connections in just one generation, the car has remained one of the last digital dark zones for advertisers. But that's changing dramatically. Over the past decade, the first wave of convenient technology inside cars – like hands-free phone calls – has become the norm.

Whether it's billboards beaming helpful insights into a passing car (or when we're stuck on the M25), pop-ups on a digital dashboard, or on-the-go information from a smart speaker, there's no stopping the push of advertising into the automotive space as cars become smarter and gather more of our data.

These advancements have transformed the car from a necessary utility for most drivers into a desired dwell space where they have the best of all worlds: creature comforts, connectivity and instant mobility. That also means they can decide everything – from where they stop for dinner, to what movie they go see and where they vacation – from the driver's seat without needing to first move to a more comfortable or digitally accessible place.



**In today's omnichannel customer journey, the car is one of the largest underutilised opportunities. Simply put, the future of reaching on-the-go consumers puts a greater focus on in-car marketing. It's a concept we're calling the third space.** While the third space can technically take multiple forms, it represents both the new state and boundless future of on-the-go in-car connectivity.

After all, the U.K. drivers spend a total of **134 hours** (almost six days) commuting to work, over the course of a typical year.<sup>1</sup> And this number is only rising. According to global

Waze navigation data, Waze data recorded a **27%** increase in both the number of drives and kilometres driven globally in the first quarter of 2022 compared to the same period a year prior.<sup>2</sup>

**So, if these cars are only going to become more integrated with every aspect of our digital lives, what does that mean for brands?** Don't worry: we've got you covered. This report will show you why you need to build a third space strategy into your marketing mix now, and where the medium is heading next.

### In the driver's seat:

The average U.K. driver spends

**134 hours**

per year commuting to work

Source: INRIX 2021 Global Traffic Scorecard, December 2021

**27%**

increase in both the number of drives and kilometers driven globally in the first quarter of 2022 compared to the same time last year.

Source: Waze internal data, global





## Part 2: **The third space is an underutilized marketing opportunity**

There's a misconception that people are driving less. But the data tells a different story. Despite recent macroeconomic headwinds and altered post-pandemic schedules, the desire to be on the road – or, at times, just inside the car – has created an undisputed-yet-underutilised marketing opportunity to reach on-the-go consumers through the third space.

U.K. drivers are far more active than they were last year, with Waze data showing a **59%** increase in drives and **75%** increase in kilometres driven in the first quarter of 2022 when compared to the first quarter of 2021.<sup>3</sup>

### U.K. drivers are on the road again:

**59%**

increase in drives in the first quarter of 2022 when compared to the first quarter of 2021.

**75%**

increase in kilometers driven in the first quarter of 2022 when compared to the first quarter of 2021.

Source: Waze internal data, U.K.

Those opportunities to drive split-second decisions align with what industry leaders are seeing. Take dining for example: **87 percent** of restaurant brand and agency leaders who responded to a recent survey conducted in the U.S. by Restaurant Dive's studioID on behalf of Waze either agreed or strongly agreed that consumers now make more impulse decisions about where they will eat.<sup>4</sup>

Waze navigation data also shows drivers in the U.K. are navigating to more businesses for both fun and functional purposes, which creates ideal short-term opportunities for advertisers to reach them in their cars – as well as impact awareness for future outings:

- U.K. Waze navigation data shows trips to parks and museums were up **54%** and **45%** respectively in the second quarter of 2022 compared to quarter one of the same year. Navigations to hotels were up **33.6%** and navigations to outdoor venues were up **60.3%** over that same period.<sup>5</sup>
- In the U.K. there was also an **8.8%** increase in Waze navigations to the overall QSR/CDR restaurant category quarter over quarter. Meanwhile, Waze navigations to retail locations rose by **4.3%** in that same time period.<sup>6</sup>

And connected cars are just hitting their inflection point: More than two-thirds of new cars registered in the U.K. are connected, and that number will rise year-on-year until 2026 when **100%** of new cars sold in the U.K. will be connected.<sup>7</sup>

“Despite sophisticated public transport networks and the rapid rise and development of eCommerce, driving by car is still such an integral part of Brits lives,” says Ruairidh Roberts, Country Manager, Waze U.K. “The increase in drives underscores that our needs, and how we meet them, hasn’t changed. That makes it easy to see how crucial connected cars will be in reaching and connecting with on-the-go consumers moving forward.”

It’s also important to remember we’re still in the early days of the car’s shift from a functional space to a multi-use space. Connected cars – whether it simply be a Wi-Fi enabled vehicle or the concept cars of tomorrow that project to be miniature living rooms on wheels – are part virtual assistant, part place where people gather to create memories, surf the web, and, yes, make purchases.



**“The increase in drives underscores that our needs, and how we meet them, hasn’t changed.”**

Ruairidh Roberts,  
Country Manager, Waze U.K.

Not seeing the connection yet? Consider these scenarios:

- **The car as a creation zone:** How many Shorts, TikToks or Reels did you watch over the last year? And how many of them were filmed inside cars? Astute social media marketers can probably think of 10 such videos they saw scrolling their feeds just this morning. The comfort, intimacy and sometimes simply the opportunity to create in peace means the car will be a key staging ground for viral moments for years to come.
- **The car as an extension of your home (and office):** In-car amenities like massage seats and Wi-Fi are being offered in more models, as manufacturers react to consumer desire for increased dwell time in vehicles, whether that be for work or relaxation purposes. And as cars develop more digital features (intelligent voice-enabled virtual assistance apps, streaming service integrations and 5G connections will eventually be commonplace) and automated features (driver assist

and – down the road – autopilot) over the next few decades, brands will be compelled to focus on making car interiors as comfortable and multifaceted as possible to deliver new types of value and enjoyment when passengers don't have to focus on the road. Essentially, connected cars will become an extension of their owners' homes – and yes, offices – in almost every way possible.

- **The car as mobile restaurant:** Ninety-four percent of restaurant brand and agency leaders who responded to Restaurant Dive's studioID survey conducted on behalf of Waze agreed or strongly agreed that their restaurant groups will have to upgrade their ability to provide more convenient drive thru service in the next 12 months – a clear sign that people are using their cars for mobile dining.<sup>8</sup>





And carmakers are already planning to seize the marketing opportunity. Auto manufacturers are well aware of their potential role in facilitating in-car shopping decisions. In May 2021, one major auto manufacturer filed a patent that uses the vehicle's camera systems to read hoardings and display corresponding ads inside a vehicle.<sup>9</sup> As conceived, this would allow in-car screens to bring an actionable experience to on-the-go consumers, potentially adding personalization if a user persona or previous brand interactions had already been established. While still conceptual, it shows clear intent from automakers: they understand the untapped value on-the-go consumers represent and are prioritising reaching them going forward.

These moments spent in connected cars will provide brands a chance to better understand who their customers really are. Smart devices have given marketers billions of data points on what customers think and how they act. Connected cars will now do the same thing – connecting new dots while adding a new layer of mobility analysis to the mix – allowing brands with access to this data to create personalised content and experiences.

“As cars get smarter and more connected, we’re increasingly expecting in-car technology to match our habits and preferences,” says Roberts. “Brands have a huge opportunity to personalise in-car experiences that deliver on these needs to delight drivers and create competitive advantage.”

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Ruairidh Roberts,  
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## Part 3: **What marketers must do to meet on-the-go consumers as the third space evolves**

The third space opportunity is clear. But engaging in this most intimate of marketing areas requires a thoughtful approach to resonate positively with the in-car audience.

Brands need to carefully consider how they approach people in this medium, how they partner with in-car technology providers, and what sort of experiences they provide in order to both optimise their marketing spend and drivers' experiences. Effectively, how can they be invited back to hitch another ride?

# Takeaway #1: To thrive in the third space, you must first earn consumers' permission



If you've read to this point and hadn't stopped once to say, "but will people really want to be marketed to in their cars?" we'd be concerned. In many ways, the car can feel more intimate than the home, especially for the aforementioned solo commuters who may experience their only alone time each day inside their vehicles.

**That's why any brand marketing to people in the car must establish implicit permission to be there.**

This starts with data transparency. Consumers expect companies to be clear about how their data is being used. They also expect to be given assurances their data is kept private and secure. With hardware and internet as a service companies increasing their focus on user privacy, this will be table stakes for marketers in the third space.

Companies can then start building the relationship by targeting personas in a privacy-compliant way with valuable promotions that lean into contextual relevance. For example, if the consumer is running low on petrol, a promotion for a fuel discount would be ideal.

As privacy-compliant, connected car data becomes more prevalent, it will become easier to provide a legitimate value exchange, making the user feel they're getting a greater benefit from your brand than what they're

sacrificing by inviting the brand into their private space. That's good news for quality brands that know how to translate data into well-matched offers of value, such as a two-for-one meal deal three exits down the road, a 20% off coupon at a nearby big box retailer whose app the targeted consumer was perusing last week, or an enticement to listen to sponsored podcasts pertaining to the driver's interests.





There's also data that shows on-the-go consumers will make this trade to gain access to services they want:

- Nearly half of respondents to a study by Global Web Index said they'd like to have reminders to buy something later when they're not driving – a desire met by Waze Ad's "Save for Later" feature.<sup>10</sup>
- And brands are already seeing the value: **90%** of restaurant brand and agency leaders who responded to the survey conducted by Restaurant Dive's studioID said in-car advertising was some form of effective (with **40%** finding it extremely effective). And **79%** of retail brand and agency leaders who responded to a survey conducted by Retail Dive's studioID on behalf of Waze said in-car advertising is effective for driving in-store traffic.<sup>11</sup>

The car is considered a personal space for many, so ensuring brands show up respectfully and don't annoy drivers is important. Marketers looking to connect with on-the-go consumers need to lead with value to be welcomed along for the ride.

## Marketing leaders agree on value of in-car advertising

- **90%** said in-car advertising was some form of effective
- **40%** find it extremely effective
- **79%** said in-car advertising is effective for driving in-store traffic

Source: studioID survey, commissioned by Waze



## Takeaway #2: **Once you have their permission, you must build frictionless experiences**



Drivers expect their car's capabilities to match – or at least mirror – their phones, including such features as apps, access to contacts, and more. In fact, they expect their cars to work even harder, including such features as park or course-correct to avoid accidents when needed.

They'll expect the same level of intuitive functionality from marketers speaking to them through third space integrations as well. Case-in-point: the mobile wallet.

Consumers have learned to crave tap-to-pay experiences at point-of-sale terminals stores and integrated mobile wallets for fast digital checkouts, too. To build long-term relationships and optimise conversions, marketers need to consider the experience they create as demand increases for reduced friction – whether that's through voice commands, a minimal number of on-screen taps in a safe environment, or features yet to be created.

“One way Waze does this is through Change Car campaigns, which natively integrates a brand into targeted users’ journeys. Waze recently teamed up with Sony Pictures to promote “Ghostbusters: Afterlife” with a change car integration. The campaign allowed users to change their car on the map to the iconic Ecto-1 while navigating, and also incorporated on-map awareness of cinema locations screening the film through branded pins. The campaign also included Sponsored Search ads to capture intent when consumers were searching for cinemas, including the option to receive an email link to buy cinema tickets,” Roberts informs.

Creating this frictionless world will lead to **getting a larger piece of the nearly \$4 billion in-car payments** expected to be processed by 2026.<sup>12</sup>



## Takeaway #3: Once you've built your third space foundation, you must experiment

This is where the fun starts for your marketing team, as they can test their skills in a data-rich environment. Here are three approaches where brands can make inroads through the third space:

- **Emphasize the new:** As marketers, you're speaking to on-the-go consumers who sat at home for far too long during the pandemic. Don't be afraid to position your brand as a challenger they need to try for the first time, or revisit because you're introducing a new opportunity.

Brand leaders are already seeing consumer patterns that back this approach, with **87%** of respondents to a May 2022 survey conducted by Retail Dive's studiID on behalf of Waze either agreeing or strongly agreeing that customers are more likely to explore new restaurants while they are out and about.<sup>13</sup> And while no one disputes the merit of loyalty program rewards in retaining a core consumer base, the break in habits brought upon by the pandemic showed how every consumer choice is now up for grabs. For instance, one study found almost all (**97%**) of shoppers surveyed who tried a new brand in lockdown would buy again, while a similar number (**94%**) said they would be willing to switch if they didn't like a company's response to the pandemic.<sup>14</sup>

"The third space is an exciting opportunity because of the exclusive, in-the-moment communication opportunity it creates," says Roberts. "That means brands should treat it as such by offering different ideas and promotions than they may for their core campaigns. It's a chance for brands who are new to those individual consumers to really stand out."



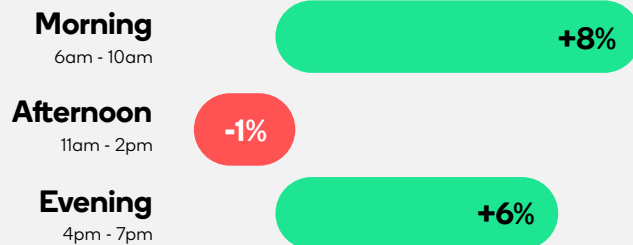


- **Drive them to experiences, not just transactions:**

The on-the-go consumer is by definition a kinetic target – “an object that’s in motion stays in motion” – ready to be influenced. And they’re already affecting commerce in a big way post-pandemic. It’s arguable the lack of significant growth in ecommerce spend as a percentage of overall retail spend in 2021 could be attributed in part to a return to experiences and leisure. The aforementioned **54%** in Q2 quarter-over-quarter navigations to parks and museums drives home this point.<sup>15</sup>

## More flexibility means more impulse visits across dayparts

Q1 ‘22 Waze navigation data reveals YoY breakfast and dinner spikes as commute trips increase



Source: Category Trends, Waze

This is also actionable advice to follow to maintain favoured advertiser status for your target personas during in-car engagements. Giving them a variety of engagement avenues – instead of trying to constantly sell – can be a path to increased favorability and consideration.

- **Timing is everything:** Waze user navigations to casual dining restaurants were up **8.8%** in Q2 2022 when compared to Q1, but those consumers weren’t exactly eating at historically traditional times.<sup>16</sup> In fact, **90%** of global restaurant brand and agency marketing leaders surveyed by Restaurant Dive’s studioID agree or strongly agree consumers have shifted when they eat.<sup>17</sup> Identifying patterns in how your on-the-go consumers travel and interact with your third space and mobile marketing campaigns will unlock optimization opportunities and boost a return on ad spend.

And while the driverless future won’t be here tomorrow – some experts think we’re well over a decade away from safe driverless options even in limited areas – when that day does come, those who’ve mastered the nuances of frictionless marketing in the third space through iterative experiments will have an even greater advantage speaking to passengers who no longer have to operate a vehicle.<sup>18</sup>



## Part 4: So where do we go from here?

As mentioned in the beginning, there is no stopping the push of advertising into the automotive space as cars become smarter and gather more of data on both drivers and their passengers. Now, imagine your marketing organisation has strong persona profiles for both – data these people willingly provided because your brand gave them significant value during repeated third space engagements – that could drive everyone in the car to convert on multiple occasions during the rest of the trip.

The third space is the final piece in today's omnichannel customer experience that makes all of this possible. And building a third space strategy into your marketing mix today is perhaps the most future-forward move a marketing leader can make.

“Amongst the ways brands have to reach consumers, hardly anything can compare to the intimacy and opportunity offered by the third space.” says Roberts. “Brands who master the third space will not only be seen as visionaries, but also gain more market share in what is increasingly becoming a significant and competitive marketing space, and it's exciting to think about the innovations those who master the third space will introduce to the world.”



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