# Global Intelligence

## 2018
*The Year Ahead*

**Zenith**
The ROI agency

# Contents

# Introduction

Welcome to *Global Intelligence 2018: The Year Ahead*. This is the sixth annual trends report that we have produced at Zenith, but this year we have taken a different approach under a new name. Rather than concentrating on a single theme, as we have done previously, this year we have cast our net more widely. We have reviewed what the most eminent cool hunters and futurologists expect to be big in 2018, rather than looking for emerging niches that might be happening in a corner of Silicon Valley or Berlin. We have also brought the report into our *Global Intelligence* stable of products, which now includes all the market intelligence, forecasting, insight and thought-leadership reports we produce at Zenith.

When we were investigating 2018 trends, we found that most trends identified in 2017 were still highly relevant and were only becoming more so. In view of this, we decided to identify the top eight recurring consumer and technology trends, discuss how these trends took shape in 2017 and predict how they will evolve in 2018. We then assessed how these trends offered growth opportunities for marketers in 2018.

We have also taken the liberty of including some Zenith trends material from our *Advertising Expenditure Forecast* report, which is now in its 30th year. The work we have done on the key trends in media and marketing investment points to an emerging battle between 'The Big' and 'The Small'. We live in a world in which the big digital platforms are gobbling up ever more adspend – as are the big cities. More people are becoming urbanites and metropolitan and so we are seeing category growth polarising to the dynamic big cities. Big tech is also on the march and our analysis shows that the ratio between digital adspend and tech investment is going in the direction of technology.

So as we predict further concentration and consolidation in 2018, what else will brand owners have to navigate this year? Our eight key trends come in pairs, which set up in some cases tensions and in others amplifications.

In 2018, news organisations and other environments in which brands appear will struggle to rebuild consumers' trust in them and demonstrate transparency to advertisers. In this environment, blockchain technology will begin to offer new tools for creating transparency and verification.

Next up is inclusivity in a world rocked by 2017's scandals relating to sexual harassment and gender inequality. We observed a righteous movement where finger pointing to faults is at an all-time high. Brands will need to take a lead in publically inclusive behaviour at a time when data-led targeting and activation approaches are leading to more 'exclusive' communications strategies.

Immediacy will be a pressing concern for us all with the ongoing march of AI. We predict more brands will be concentrating capability and investment in delivering more tailor-made experiences. The challenge is intimidating as in-the-moment experiences and exceptional service are now seen as basic requirements by many consumers.

Seamless interaction will become critical in the shopping arena, with shoppable content featuring in live event formats and voice shopping gathering momentum.

Enjoy reading our 2018 trends and we hope they help you figure out where to place some bets this year.

# Global market overview

## *From digital proliferation to consolidation*

### *The global ad market will continue to grow steadily*

As we move into 2018, the global ad market looks superficially stable. Adspend is growing steadily at about 4% a year, the rate it has grown at since 2011. But growth is highly concentrated – most new ad dollars are coming from big countries and big cities, and going to big digital platforms. The returns from the proliferation of digital technology – which has transformed the way that consumers find and view content, and the way brands communicate with consumers – are being consolidated by a few big winners. The rapid pace of change is putting pressure on top marketers, who are feeling less confident in the future than they were a year ago.

### Year-on-year global growth (%)



| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Adspend | +4.0 | +4.1 | +4.2 | +4.1 |
| Nominal GDP | +5.5 | +5.5 | +5.6 | +5.6 |
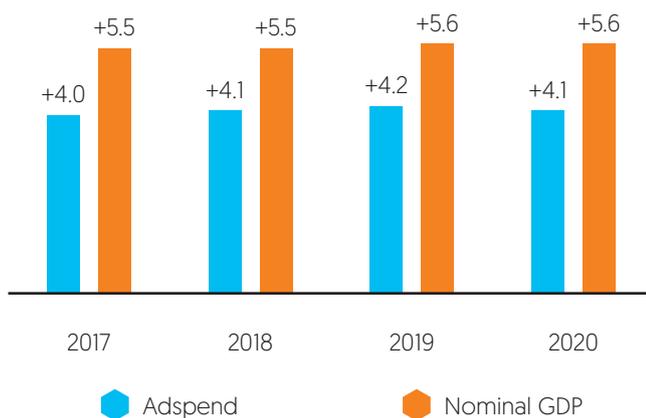
*Source: Zenith/IMF*

### *Growth is concentrated in the big markets and big cities*

In dollar terms, most of the growth in global adspend is coming from a few big markets. In the December 2017 edition of our quarterly Advertising Expenditure Forecasts we predicted that just two countries – the US and China – will contribute 47% of new ad dollars between 2017 and 2020. The five biggest markets – the US, China, Japan, the UK and Germany – will contribute 57%.

Within these countries, big cities are driving global adspend by concentrating growth in productivity, innovation and trade. Their populations are younger and have higher incomes than populations elsewhere, although they also pay a lot more for their housing. In the last ten years economic productivity has grown 2.6 times faster in big cities than elsewhere, and disposable incomes have grown 2.0 times faster.

We have conducted a unique study that calculates the adspend going to each city by estimating the value of their inhabitants to local, national and international advertisers. We estimate that the top 10 cities alone contributed 12% of all global adspend growth in 2017, and that the top 725 contributed 60%.

### Contribution of new ad dollars to global market 2017-2020 (%)



| USA | China | Japan | UK | Germany |
|---|---|---|---|---|
| 27 | 20 | 4 | 4 | 2 |
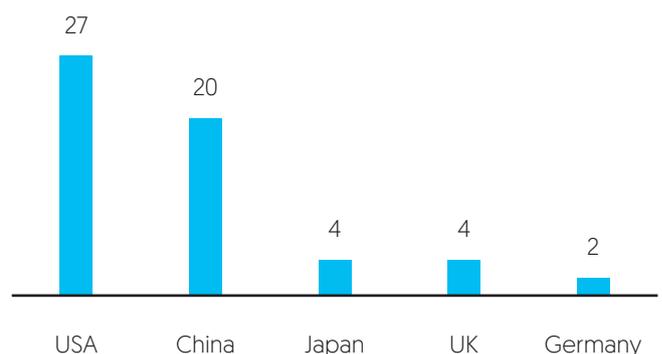
*Source: Zenith/IMF*

## New York tops the ranking of the biggest contributing cities to global ad growth

We forecast that between 2016 and 2019, adspend in the ten biggest-contributing cities will grow by a total of US$7.5bn, representing 11% of growth over these years. Five of these ten cities are in the US, two are in China, and one is in each of Japan, Indonesia and the UK.

### Total growth in adspend 2016-2019 (US$m)

| City | Value |
|------|-------|
| New York | 1,346 |
| Tokyo | 1,044 |
| Jakarta | 848 |
| Los Angeles | 817 |
| Shanghai | 624 |
| Houston | 583 |
| Dallas | 582 |
| Beijing | 570 |
| London | 563 |
| Chicago | 560 |
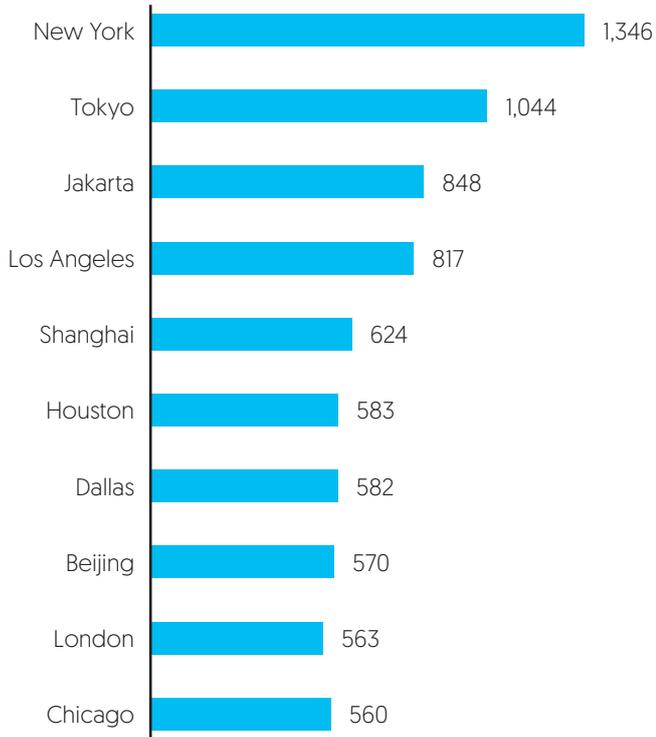
Source: Zenith/IMF

## Television remains the largest media activity

Polarisation is not just geographical – it's happening to the media. Internet advertising – particularly mobile internet advertising – is responsible for practically all the growth in global media consumption and adspend.

Consumers still spend more time with television than any other medium – it accounted for 37% of media consumption time in 2017. But internet consumption is catching up fast. Across desktop and mobile devices, internet use accounted for 31% of media time last year.

### Average time spent with media worldwide 2017 (minutes)



Newspapers 11
Magazines 5
Mobile internet 100
Television 170
Desktop internet 40
Outdoor 77
Cinema 1
Radio 52

Total time 7.6 hours vs 7.0 in 2012
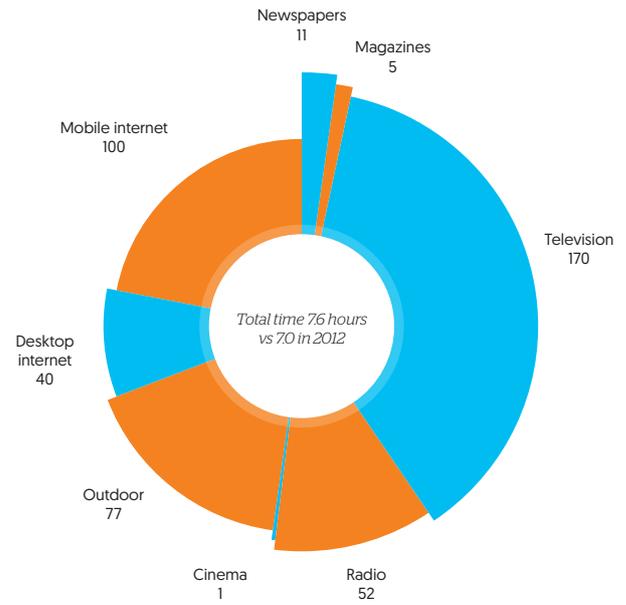
Source: Zenith

## But mobile internet use is gaining quickly, driving growth in overall consumption

Mobile internet use in particular grew by 21% a year over the past two years, and we forecast 11% annual growth over the next two. The mobile internet is driving growth in overall media consumption, which is growing at about 1% a year, even while it accounts for nearly half the waking day.

Brands are following consumers onto the mobile internet. Mobile internet advertising is by some distance the main driver of global adspend growth. We forecast mobile to contribute US$70 bn in extra adspend between 2017 and 2020. It will be counterbalanced by an US$2 bn decline in desktop advertising, as advertisers switch budgets to mobile, combined with an US$11 bn decline from print.
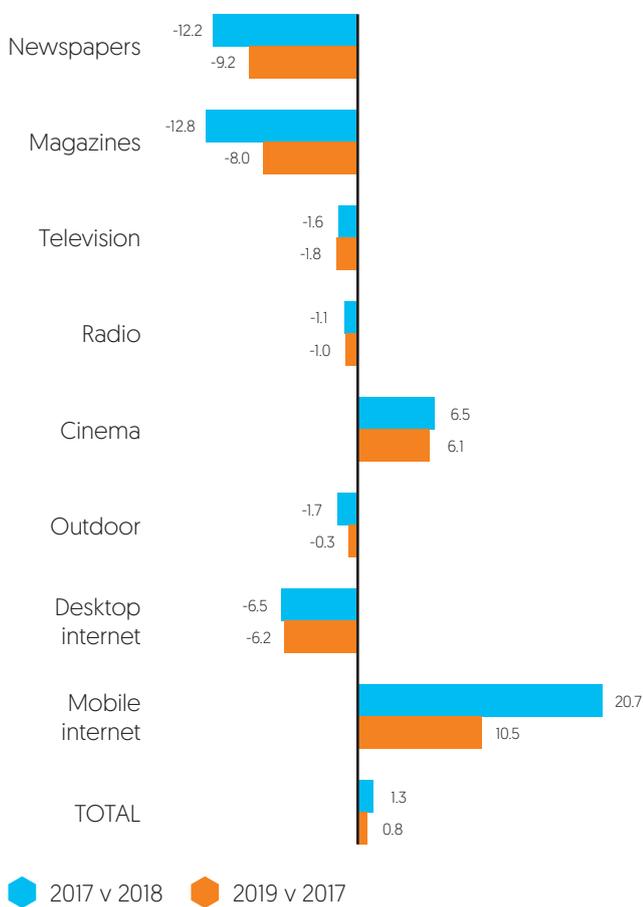
## Since 2014, five digital platforms have increased their share of internet adspend from 67% to 72%

Most of this extra adspend is being captured by just five big platforms – Google and Facebook, plus the Chinese platforms Baidu, Alibaba and Tencent. Between them these five platforms increased their share of global internet adspend from 67% in 2014 to 72% in 2016, and captured 83% of the growth in internet adspend over that time.

Baidu, Alibaba and Tencent accounted for 54% of the growth in internet adspend in China, while Google and Facebook accounted for 96% of the growth in internet adspend in the rest of the world. Between them Google and Facebook accounted for 76% of internet adspend outside China in 2016.

### Media consumption CAGR [%]

| | 2017 v 2018 | 2019 v 2017 |
|---|---|---|
| Newspapers | -12.2 | -9.2 |
| Magazines | -12.8 | -8.0 |
| Television | -1.6 | -1.8 |
| Radio | -1.1 | -1.0 |
| Cinema | 6.5 | 6.1 |
| Outdoor | -1.7 | -0.3 |
| Desktop internet | -6.5 | -6.2 |
| Mobile internet | 20.7 | 10.5 |
| TOTAL | 1.3 | 0.8 |

### Share of global internet adspend [%]

| | 2014 | 2016 |
|---|---|---|
| Google | 47.2 | 44.3 |
| Facebook | 9.1 | 15.0 |
| Baidu | 6.2 | 5.8 |
| Alibaba Group | 3.5 | 4.4 |
| Tencent | 1.1 | 2.4 |
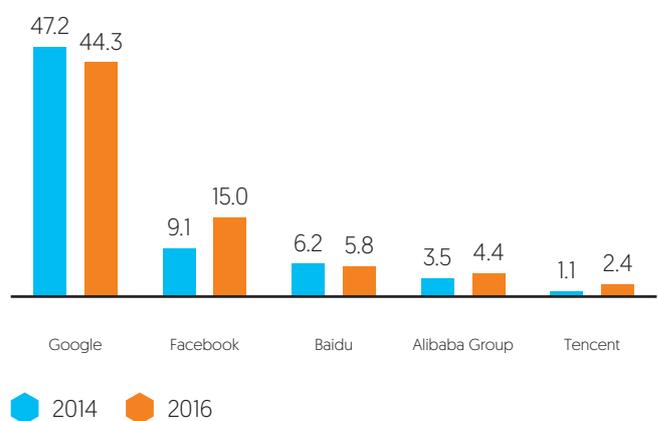
*Source: Zenith/IMF*

*Brands are feeling the pressure from transformation as confidence drops 10 points*

100 = strong growth

50 = no growth

0 = strong decline

| | Food & drink | Finance* | Pharma | Automotive | Luxury | CPG | Retail* | Telecoms* |
|---|---|---|---|---|---|---|---|---|
| 2016 | 67 | 56 | 77 | 75 | 65 | 68 | 56 | 75 |
| 2017 | 66 | 65 | 65 | 58 | 56 | 50 | 50 | 50 |

● 2016   ● 2017
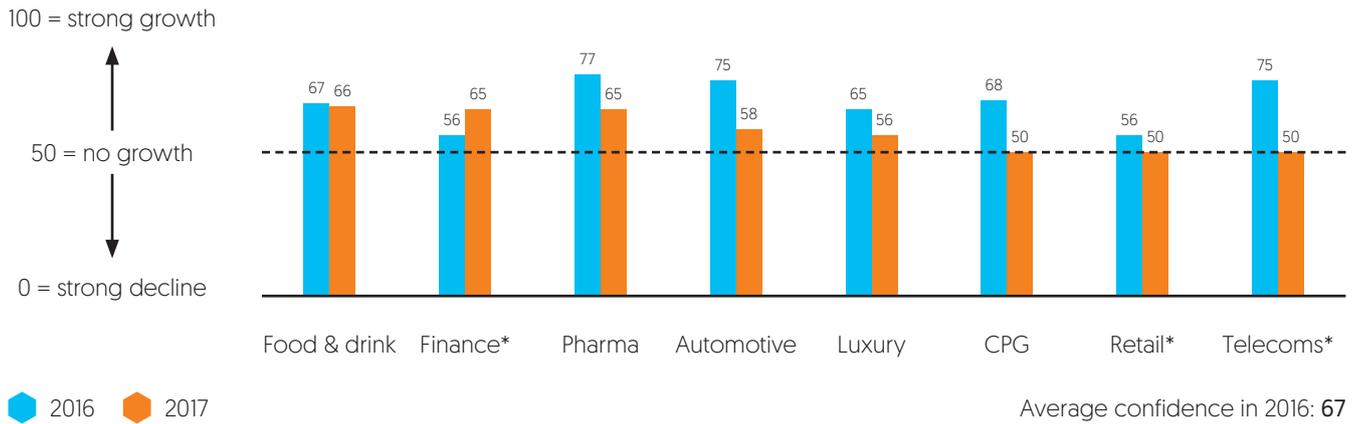
*Source: Zenith*
*\*Small sample*

Average confidence in 2016: **67**

Average confidence in 2017: **57**

Advertisers are feeling pressure from the rapid shift of marketing communications to online media in response to changing consumer behaviour, and the polarisation of growth. In November 2017 we conducted the third in our series of surveys about brand growth among key Zenith clients. On a scale from 0 to 100 – where 0 means everyone expects decline in 2018, 100 means everyone expects growth, and 50 means the average expectation is for no growth – the average response was 57, down from 67 the previous year.

Food and drink brands were the least affected, with a score of 66 – down just a point from 67 at the end of 2016. Packaged goods, retail and telecom brands all fell to 50, expecting no growth, down from positive scores the previous year.

The pace of change will not let up this year. In the following pages we examine the key trends that will shape the world of marketing and communications, and how brands can make practical use of them. Instead of worrying about the pace of transformation, brands should be making use of the new opportunities that are opening up.

# The post-truth world

*From fake news to news clean-up*

*Predictions for 2017*

The concept of post-truth has been in existence for decades, but there was a huge spike in fake and fabricated news in 2016 resulting in 'post-truth' being declared as the 'International Word of the Year' by Oxford Dictionary. In 2017, we entered the post-truth era. Following the vote for Brexit and the election of Donald Trump as US President, we are now living in a world where emotion and populism win out over facts and experts. It's a place where public opinions and government policies are being shaped by those whose words provoke the most hysteria.

*What happened in 2017?*

The continuation of intense and pervasive social media activity amplified post-truth in 2017. The rise of 'fake news' was facilitated by social media platforms such as Facebook and Twitter - 62% of Americans now regard social media platforms as places where they consume news, rather than place where they are directed to new sources. This means that vast audiences are at the mercy of Facebook's algorithm, serving them news from like-minded viewpoints. Confirmation bias – interpreting new evidence as confirmation of one's existing beliefs – has driven the click-by-click spread of fake news and misguided information. So, it is no surprise that trolls and other unscrupulous individuals are taking advantage of the ease of which they can distribute fake news to further their agendas, including turning it into a money-making business with the distribution of sensational fake news.

*What's next?*

The reality is the world is neither ready nor willing to say goodbye to truth. But the popular opinion now is somehow being easily swayed by emotionally charged rhetoric and fake news having no factual basis. It requires deliberate action to drive social scrutiny and to encourage people to be more focused on evidence and rational thinking.

In 2018, we can expect more scrutiny and vigilance to expose organisations to reveal the truth and curb those hustlers from distributing fake news. Google and the other social media networks are starting to take action to stop the fake news distributors from using their services to target specific audiences.  For example, Google announced in November 2017 that sites that misrepresent themselves would no longer be able to use AdSense and in the same month, Facebook said the fake news sites would not be able to use the Facebook Audience Network. Unless strong regulations are in place, we believe this news clean-up will still continue to be a challenge in 2018.

## What does this mean for marketers?

The rise of fake news has had a major impact on the biggest global media platforms, such as Google, Facebook and Twitter. The organisations generating fake news have been leveraging social and video platforms and search engines to optimise their distribution and content consumption. This has increased the likelihood of advertising content from legitimate advertisers being featured close to fake news, which, in turn, can generate significant negative PR for a brand.

The importance of brand safety for all advertisers came up time and time again last year and the continued rise of fake news should put this topic at the top of any marketer's agenda.

We believe advertisers should do the following:
- Build a strict set of guidelines for brand safety outlining how brands should be able to block any type of exposure in non-brand safe environments with a clear compensation policy, should any issue arise.
- Implement 3rd party brand safety tools to cover all advertising likely to be affected by brand safety issues. The recent additions of Fake News blocker by DoubleVerify is a valuable development allowing advertisers to block exposure on Fake News websites with more than 75 brand safety filters.
- Reduce advertising in areas where 3rd party brand safety tools are not able to operate and provide the relevant brand safety controls.
- Implement comprehensive white lists to control where ads appear.
- Work closely with global platforms to help them improve safety controls on their platforms.
- Conduct regular reviews of where your ads feature.

# New Kids on the Blockchain

*From 'secure collaboration' to 'total trust and transparency'*

## Predictions for 2017

Trust has always been the central challenge of human collaboration at scale. As trust in governments and corporations decline, people are relying on peer-to-peer [P2P] platforms to hand them better control, secure collaboration and lower prices. While all this is happening, a far deeper revolution has been fermenting. There was an explosion of interest in encrypted digital currency Bitcoin, but it was blockchain, the technology behind the cryptocurrency, that was the real revolution. By creating a secure, decentralised record of transactions, blockchain allows trust between strangers without recourse to any mutually trusted middleman. At its heart, blockchain is about total P2P trust and transparency - it doesn't require powerful intermediaries to authenticate or to settle transactions.

## What happened in 2017?

The rocketing value of cryptocurrency Bitcoin in 2017 brought it and blockchain to the attention of growing numbers of companies and consumers. Business Insider reported that there are over 1,324 globally traded cryptocurrencies, all relying on blockchain. Blockchain has given rise to a revolution in finance – besides bitcoin, money transfer over the internet is now possible without authorisation by banks. Start-ups are exploring blockchain as a tool to fight fake news, for example, Spin uses the general wisdom of its reader community to flag news as appropriate, biased or incomplete. Blockchain still has many issues to iron out in terms building the infrastructure and addressing regulations before it can scale.

## What's next?

In 2018, we believe the blockchain revolution will go mainstream, due in part to a glut in venture capital and the salivation of investors thrilled by the Bitcoin's wild ride. People will look to brands to harness this technology and to give them greater control, total transparency, and fair prices. This also pushes the power back to the consumers in terms of what data they give up and who can have their data. New blockchain usage will likely include cloud storage, security, property, brokerage, medicine, fashion, media, entertainment, even law. Encryption keys will provide a secure method to track progress of an order, view the history of a case number, the provenance of an item of a clothing or food item, or to unencrypt digital media at a certain rate of quality.

We also expect to see applications appear within media and advertising, such as Basic Attention Token, which aims to improve user experience and help ensure publishers and advertisers are not losing out to middlemen, trackers and fraud. While blockchain technology shows tremendous potential to transform a number of areas of our industry, scale will remain an issue until adoption improves, and speeds increase.

## What does this mean for marketers?

The evolution of the current digital advertising ecosystem has produced a system that is far from perfect in terms of consumer, advertiser and publisher experience. Consumers suffer from additional data usage, advertisers are charged for unseen or fraudulent inventory and publishers lose out to numerous middle men.

In theory, Blockchain could increase transparency and reduce fraud. Publishers are currently testing prototype blockchain supply side platforms designed to root out 'fee-skimming' by disclosing to buyers and sellers all the parties, 'links' in the chain. For advertisers, it can improve ad verification by taking ad deliveries from ad servers and releasing them to mining machines in the chain to 'scrub' them for fraud.

For consumers with privacy concerns, blockchain could anonymize huge swaths of data allowing for more direct consumer relationships with brands and fewer middle men. In terms of consumer experience, the new Firefox blockchain browser uses the afore mentioned Basic Attention Token to supersede cookies, minimize trackers and remove unnecessary third parties, ensuring more revenue for publishers and more ROI for advertisers.

While this sounds great in theory, this technology is still in an experimental phase. It is currently too slow to work with real-time bidding and will have to reach critical mass before it can work as intended. For marketers it promises a better eco-system in the future so we should all do our best to help take this from trend to normality.

# The new consumer pro-activity

## From dissatisfaction to social protest

### Predictions for 2017

Another theme that dominated 2017 news was the rise of populism. We saw the nationalist and populist discourse starting in the UK's Brexit campaigning, and this continued with Marine Le Pen and Donald Trump in their respective presidential campaigns, both offering striking alternatives to globalisation. The discourse often played to a populist standpoint: 'us' against 'them' – them being the elite that has betrayed trust, by taking care of their own interests and goals, forgetting the needs of ordinary people. The rise in populism predicted the dissatisfied and the marginalised would rise up to fight injustice.

### What happened in 2017?

Populism burst onto the headlines in 2016 and showed no signs of going away in 2017. According to 2017 Edelman Barometer of Trust, current populist movements are fuelled by a lack of trust in the system and economic and societal fears, including corruption (40%), immigration (28%), globalisation (27%) and eroding social values (25%). The internet has enabled 'identity politics' to thrive, spurring powerful communities to form around personal signifiers, from politics to race and religion. It is not the view that matters but how strong the view feels. It's why Ivanka Trump's brand enjoyed a 346% sales spike following an internet-wide boycott in the wake of her father's election (source: Lyst, 2017). All the controversies thrive against the backdrop of anger and outrage that can quickly escalate and lead to unexpected and powerful outcomes.

### What's next?

In 2018, populism is likely to go beyond anti-globalisation and politics to key social issues. It could spark from anyone and anywhere, spreading quickly and developing into a serious social movement, such as #metoo, following the exposure of Harvey Weinstein. People are set to be more active and will look up to a new breed of DIY social influencers who are able to find their voice, build an audience and stack up on cultural relevance. For example, Julia Tolezano, a vlogger and journalist who uses her YouTube channel to discuss gender issues, homophobia and racism.

We can expect even small groups to spark movement. Very small fundamentalist groups will also be increasingly able to manipulate social media and use mis-information to spread dissent (as seen by the videos from the Neo-Nazis in Britain First shared by President Trump.) Other small groups of activists will continue using social media to force change in our institutions irrespective of any democratic mandate. It won't be long before such small groups look to hold companies to a higher account meaning, a much lower tolerance for political incorrectness in and outside the business.

## What does this mean for marketers?

As a consequence of the growing adoption of brand purpose, advertisers have increasing confidence in aligning themselves with 'causes' some of which have in the past been seen as controversial. This was illustrated by the number of entries and award winners at Cannes which leveraged social movements for the benefit of themselves and wider society.

Standing for something meaningful is a powerful marketing tool as demonstrated by several key brands: Boost mobile championing voter registration, T-mobile helping to cure dementia and Skittle using its rainbow theme to support LBGT rights and numerous insurance companies trying to improve teenage driver safety.

In a world where consumers are attracted by causes that enable them to make a difference rather than politics where they can't, there are many ways brands can get competitive advantage by getting involved. While explicit endorsement might not be suited for all brands, advertisers must recognise the implicit implications of their communications in terms of wider society to ensure that they stay with the times and avoid any sudden onslaught of social media pressure.

# Rethinking targeting

## *From Gen Z to perennial marketing*

### Predictions for 2017

Targeting is crucial in identifying new sources of business growth. The twenty-something demographic is always in the spotlight as they represent the new generation of earners and spenders, and, allegedly, many of their life defining moments will happen before they reach 30. This is why the Millennial generation has been the targeting point for the past five years. We have seen a shift in focus where Gen Z is being called out as the next cool target in 2017.

The most important life-defining event for Gen Z has been the proliferation of technology and the digital economy. The interest in Gen Z in 2017 has been driven by the first small cohort of early Gen Z (born between 1995 and 2012) college graduates entering the job market.

### What happened in 2017?

No doubt Millennials and Gen Z were enjoying the attention in 2017. Populated by true digital natives, Gen Z is not only the best preview of future generations, but also reveals the behaviours older generations will eventually adopt when it comes to technology. One of the lessons learned from the populism movement and how the pollsters in the UK failed to predict the Brexit results is the feeling of exclusion experienced by a significant proportion of the population. Equally, businesses tend to over-focus on Gen Z based on perceived brand potential, so show little interest in over-35s and treat over-55s as if they don't exist, even though they are expected to represent 50-86% of consumer spending growth (source: Eurostat).

### What's next?

There will still be a lot of hype around Gen Z in 2018 but we believe the way the world has changed and is still changing in terms of media, marketing and society calls for us to fundamentally re-think the rules of targeting.

A key part of re-thinking targeting is about accepting the flexibility and fluidity of life-stage as people live longer. Empty nesters are rediscovering the joys of youth and those who never had kids are still indulging. So we should target across generations 'perennially' based on mindset and interests. This approach maximises relevant consumers at point of change and takes advantage of new digital targeting opportunities.

Rather than talk of demographic generations, we should also be thinking about how to maximise the perennial appeal of our brands based on what makes them meaningful. As people live longer these days, we also expect the narrative to encourage people to embrace the gift of (long) life.
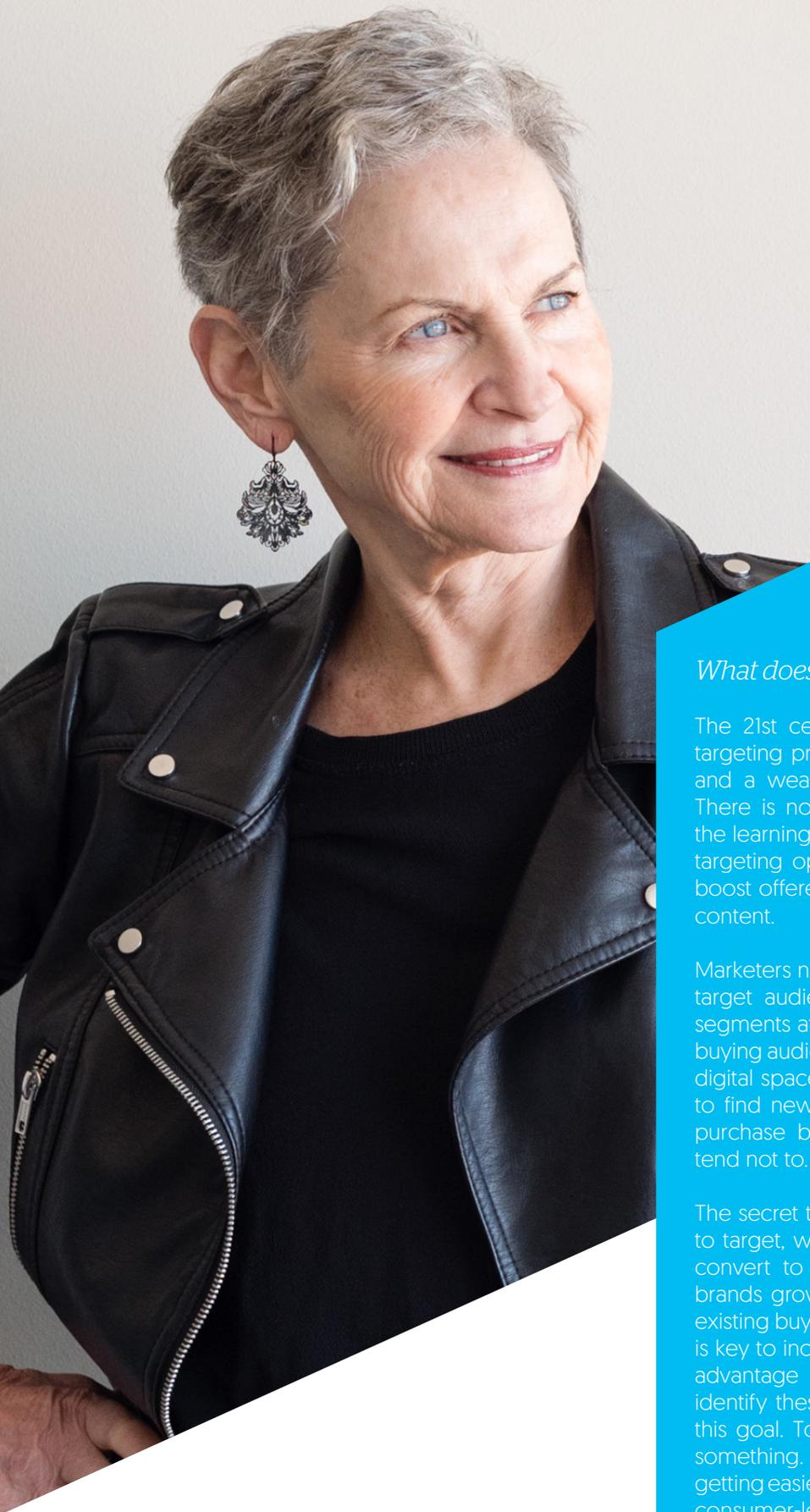
## What does this mean for marketers?

The 21st century has seen massive developments in targeting providing an array of new consumer insights and a wealth of marketing opportunities for brands. There is now a clear science behind this, combining the learnings of behavioural economics with the infinite targeting opportunities of addressable media and the boost offered by personalised advertising and relevant content.

Marketers need to re-wire the way that they think about target audiences, recognising the needs of different segments at each stage of the journey. A demographic buying audience delivers something very different in the digital space versus broadcast, which is why you need to find new targeting approaches that align well with purchase behaviour rather than demographic, which tend not to.

The secret to brand success is about identifying whom to target, with what to communicate and how to best convert to sales. Marketing Science has shown that brands grow by increasing penetration not by getting existing buyers to buy more. Winning at point of change is key to increasing penetration so we should be taking advantage of new relevant targeting techniques to identify these consumers at sufficient scale to achieve this goal. Today, consumers buy brands that stand for something. In a world where brand-led advertising is getting easier to avoid, there is an opportunity to produce consumer-led content, reflecting what consumers want to engage with rather than just what brands want to say.

# Experience on demand

## *From token service to built-in 'immediate' service*

### Predictions for 2017

The experience economy was the big headline in most 2017 trend reports. This refers to consumers' growing appetite for experiences at the expense of material possessions, and businesses' drive to add value by offering services alongside their products. Our 2017 trends report on AI showed how data can be used to create sophisticated personalised services and improve customer experience. Other reports highlighted the fact that the experience economy is now reaching critical mass.

### What happened in 2017?

More businesses offered tailor-made recommendations according to their customers' behaviour and to the preferences of people with similar interests. For example, the voice-controlled personal assistant 'Alexa' can recommend music that you might like based on previous listening habits. Airbnb super hosts are out to delight, offering not only their place to stay in, but also a concierge service that surpasses anything a hotel concierge could offer. IKEA's purchase of the digital labour market TaskRabbit has allowed it to add home assembly to the furniture-buying experience.

### What's next?

We believe experience-on-demand is going to be considered the new normal in 2018. People will expect services once considered 'nice to have' to be built-in to the basic product offering. Services that offer delight and surprise will become standard – delivered at the right time, for the right amount of time, and in the right place.

People expect brands to put their data to work, to improve in-the-moment experiences and uncover previously hidden insights into their behaviour. In their social lives, when traveling or eating, connected consumers don't expect to plan ahead. Now, they're bringing this mind-set to their product and service choices: 'don't make me plan ahead: adapt as I change!' People will come to expect exceptional built-in service. The challenge is as clear as it is intimidating: serve customers' ever changing, in-the-moment needs and offer exceptional service beyond their expectations.
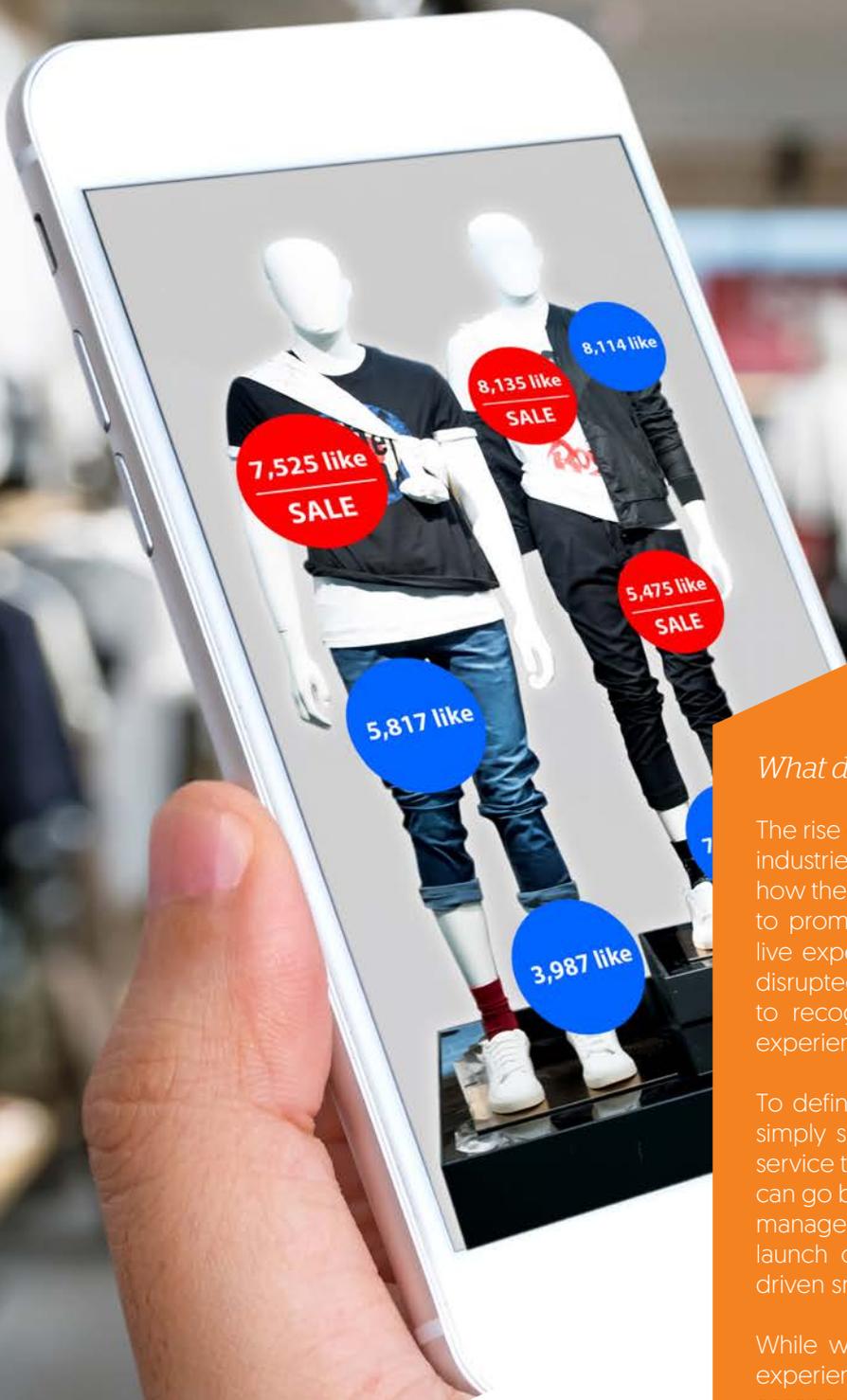
## What does this mean for marketers?

The rise of the experience economy has allowed whole industries to adapt to digital transformation. Think of how the music industry went from using live experience to promote album sales, to using albums to promote live experiences. While most industries have not been disrupted to the same level as music, all businesses need to recognise the growth opportunity that improved experiences have to offer.

To define the opportunity, brands have to move from simply selling a product to understanding what brand service they provide. In the analgesics market, the brand can go beyond offering pain relief in a pill to offer a pain management service, as demonstrated by Nurofen's launch of FeverSmart Temperature Monitor, its apps-driven smart thermometer for kids.

While we should not discount the power of physical experiences – look at the recent global popularity of escape rooms – the easiest way to improve experience is through adding digital-based services and using digital to improve performance.

Experience can improve brand performance across all stages of the consumer journey. Personalised products can increase relevance and consideration. Judicious use of a better sampling experience to well-targeted consumers can improve conversion and recruitment. Smart subscriptions can improve loyalty. Increased consumer expectations and new competition from experience-based brands means that brands must not only deliver these better experiences in the present, but constantly consider how technology can improve their experience in the future.

# Artificial Intelligence

## *From 'basic applications' to 'dynamic applications'*

### *Predictions for 2017*

This has been a seminal year for artificial intelligence (AI), with much of the media hype – and consequent 'replacement anxiety' which it generated – now quelled and replaced with a more practical understanding of AI's potential role in everyday life. This includes real-time language translation, improved product recommendations, advanced image search, as well as applications in industry such as data diagnostics, predictive analytics, and of course automation. As people place more importance on personalised and seamless shopping experiences, it pays to use AI to unlock the power and insight that big data has promised to deliver.

### *What happened in 2017?*

The age of general AI is here, with increased adoption over the past year. According to the Vanson Bourne 'State of AI for Enterprises' study, 80% of enterprises now have some form of AI (such as machine learning or deep learning) in operational use today. Globally, 42% of enterprises see lots of room for further implementation and process integration, but 91% see barriers ahead – lack of IT infrastructure (40%) and lack of talent (34%) being the most significant.

The media industry is embracing the potential of AI. The growth in programmatically traded media has allowed us to deploy AI techniques both internally and as part of wider client solutions. At Zenith, we have applied advanced machine-learning techniques to Aviva's

digital campaigns, improving the cost per quote (CPQ) by 6% for search and 10% for display. In a world first, we are passing our unique conversion score back into DoubleClick Bid Manager (the demand-side platform used to make programmatic purchases from Google's digital inventory) and have fully optimised our buying.

### *What's next?*

2018 will be the year that some companies begin more strategic implementation, and start realising more of AI's benefits. But for most, 2018 should still be about exploring the more basic applications of AI as it advances and becomes easier to deploy using 'off the shelf' solutions. More customised deep-learning use-cases will begin to appear that demonstrate the transformative power of more specialised AI on business processes across a broader range of well-funded projects, as well as its cost-saving potential.

AI will be able to meet consumers' growing demand for built-in 'immediate' service. Until now m-commerce has been regarded as standard shopping over the smartphone, but with AI we can expect automated commerce that offers dynamic experiences to fulfil the customer journey. In 2018, the customer journey will quickly encompass virtual-reality purchasing, dynamic pricing, automated voice recognition and digital attribution, which can be managed within a single system and with a natural-language interface. The dynamic experience supported by AI will allow for a more 'in-the-moment' adaptive shopping experience.

## What does this mean for marketers?

AI is a broad topic and has almost universal application across business in 2018. While on a macro level AI is the engine that drives tech giants, on a micro level 'off the shelf' solutions make AI actionable, accessible and applicable to many business tasks. For example, online German e-tailer Otto used Blue Yonder's CERN-developed tech to crunch 3bn past transactions and 200 variables (such as past sales, searches and weather information) to predict what customers will buy a week before they order. With an accuracy of 90%, this technology allowed Otto to confidently pre-order items and reduce returns by 2 million items per year. This is the kind of magic AI can perform, but not only in logistics.

AI is not just having an impact on media, it is also helping to drive creativity. It was striking that at this year's Cannes Lions Festival, not only were people talking about AI as the next big thing, it was already a big thing in the award entries & winners. AI in its many guises was the magic that made many campaigns exceptional – none more so than the one from Shanghai General Motors, which created a unique ID – "MyCarPulse" – for each of its 20 million cars. It used this ID to send hyper-personalised messages to the car owners, based on an AI-powered profile including driving patterns, lifestyle and car condition, and databases from CRM, dealerships, OnStar and WeChat. It then used optimised dynamic messaging to more than double the number of service visits to improve car care.

Advertisers however need to recognise that for this magic to work they need powerful data, which needs to be set up correctly for machine learning. While there's nothing sexy about naming conventions, data tagging and compliance, it is imperative that these become a business priority, otherwise everything will remain dumb.

# Shop as you view

## *From static content-shopping to live-stream retail*

### Predictions for 2017

The ways in which we shop have changed dramatically, and many trend reports predicted that 'shoppable content' would take off in 2017. Shoppable content is tech-enabled online content – videos, articles, reviews, images and so on – that allows consumers to buy featured products without being redirected to another site. Content is a vital contributor to brand experience, and in recent years the lines between content and commerce have become blurred. Brands aggregate their stylish Instagram feeds, YouTube videos, and fashion blogs into a mobile content marketing experience, with clickable content based on the consumer's interests.

### What happened in 2017?

Despite shoppable content's potential, its adoption by brands has been slow, with the notable exception of Pinterest's buyable pins. This is likely to be because publishers still think of content first, with shopping as an afterthought. The back-end processes and technological expertise needed to integrate content with commerce must not be underestimated. An important part of providing a great purchasing experience is investment in the back end: stock and supply fulfilment, easy payment methods, prompt delivery, and no-cost returns. We believe this trend will pick up when publishers have the right partnerships in place to fulfil all parts of the retail process.

### What's next?

We believe shoppable content will continue to grow as seamless fulfilment processes become integrated into content. But there's a new twist that will grow in importance in 2018: live-stream retail, in which consumers shop in real-time directly from live content. Live-stream retail is shopping-as-entertainment reborn for the smartphone generation.

China leads the way in embracing this new retail channel, which is accessible yet ephemeral, communal yet personal, and voyeuristic yet participatory. 41% of Chinese consumers use social platforms to receive promotional offers, versus 34% globally [source: PwC]. For these consumers, making and consuming livestreams is a natural next step. For example, Macy's – which sells officially through Tmall Global in China – used live-streaming to give consumers an exclusive look at its flagship store in Manhattan and offer them coupons that they could use when purchasing on Tmall. Live-streaming shopping is also happening, albeit more slowly, in other countries. A growing number of small businesses are using Facebook Live to show off and sell their wares, taking bids from punters in the comments. Gadgets, which often need quite a bit of explaining, are particularly in evidence. As with shoppable content, live-stream retail will pick up when the right back-end processes and technologies are in place.
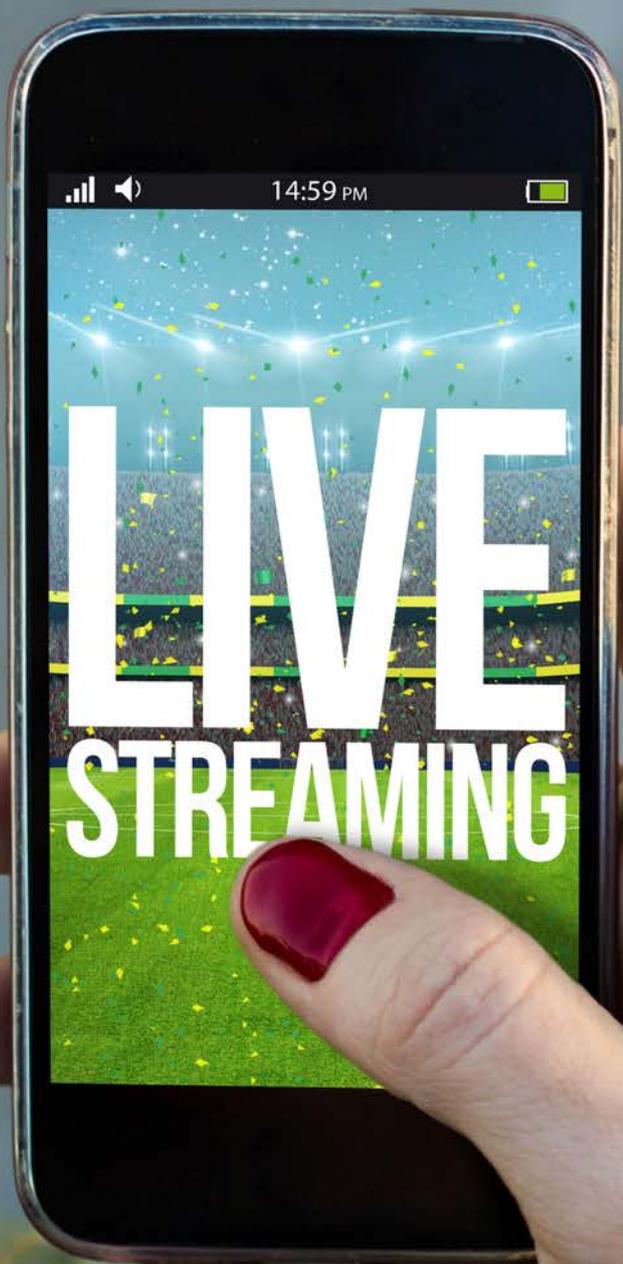
## What does this mean for marketers?

Now advertisers have made their images shoppable, video should be the next logical next step. The power of video for shopping is undeniable. with 87% of fashion brands, for example, creating video content and generating transaction rates that are at least 1.6 times higher than for static images [according to McKinsey's research in 2015]. However, we still see most advertisers using video as a traffic tool, rather a way to drive conversions with shoppable video or shoppable content related to the video.

Video platforms are making it easier to add shopping to video, whether through YouTube's shoppable ads, Instagram Stories' shoppable video layer or Snapchat's "swipe-up" as an e-commerce call to action. Start-ups are developing new functions that make video shopping more seamless and immersive, such as Cinematique's touchable videos. Marketers should test different formats and platforms and think carefully about how to integrate e-commerce call to actions into the video content they create. It is essential to create the right customer journey, and adding relevant shopping calls to action, without damaging the brand story and making the viewer feel like they are being sold to.

# The Voice

*From 'simple skills' to 'seamless interaction'*

### Predictions for 2017

Voice is the next big step in computing, after the transition from desktop to smartphone. Developments in machine learning and natural-language processing have driven the rapid growth of voice search and smart speakers, promising dramatic changes in the way we search, shop and interact with companies. The interface is simple and delivers a single, best answer, instead of the slew of search results we are accustomed to onscreen. These devices also play music, set timers, control other devices about the home, and place shopping orders.

### What happened in 2017?

Thanks to a sharp fall in prices, smart speakers have become true mass-market devices, with 33.2 million shipped over the past 12 months according to Canalys. Smart speakers are becoming the central control hubs for the smart home. Using them quickly becomes a habit – they are not a short-lived fad.

Voice shopping is picking up quickly. Amazon's Alexa adds items to a shopping basket and completes the purchase using just voice commands, and even offered exclusive deals on Black Friday. Still, brands have had trouble redefining themselves for this new reality, after spending years perfecting the arts of designing, packaging and marketing their products visually.

### What's next?

According to Gartner, voice search will be the fastest-growing mobile search channel in 2018, and comScore predicts 50% of all searches will be made by voice in 2020. Google's aim is to improve its 'Answer Box' to provide the most accurate and best content. The same principle works for Google Home and Alexa, which are focusing on the best products and services to ensure good experiences for consumers. We'll see intelligent services learn not just to talk to us but to learn to recognise emotion, engage and have meaningful conversations.

The big tech companies – Google, Amazon, Microsoft and Apple – are fighting to deepen consumer engagement by embedding their assistant platforms across all consumer electronics. Other companies recognise the need to improve time to market through collaboration, partnerships and open platforms. For example, numerous car manufacturers are integrating voice assistants into their 2018 and 2019 models, and Samsung is bringing its voice assistant Bixby to its smart TV sets and Family Hub fridges.

By the end of 2018, voice will have changed the way devices and applications are designed, and  will be on the way to becoming the primary interface by which we engage with technology and the world around us.

## What does this mean for marketers?

As consumers become accustomed to digital assistants, they will start to expect more from them. They'll seek out virtual personalities that have the power to entertain, educate, befriend and heal. For smart brands, it's time to start thinking beyond virtual assistance – and about true virtual companionship.

In the immediate future, device manufacturers are banking on voice-enabled devices to usher in a new era of smart homes controlled by the gadgets they sell. The winning virtual assistant will be the one that first achieves ubiquity. It's about doing everything, and being everywhere.

Big leaps in voice interaction require large volumes of data for machine learning to crunch. Marketers will need to have a comprehensive data strategy in place to improve the value of their services.

As shopping powered by voice technology gains traction, marketers will rethink their business models. Modern voice systems are built around conversations, through intelligent multi-stage conversational interfaces, so brands will have to make shopping for their products and services an intuitive experience. Brands should also look out for new opportunities as the likes of Amazon and Google seek to monetise their smart speakers, by ads or other commercial partnerships.
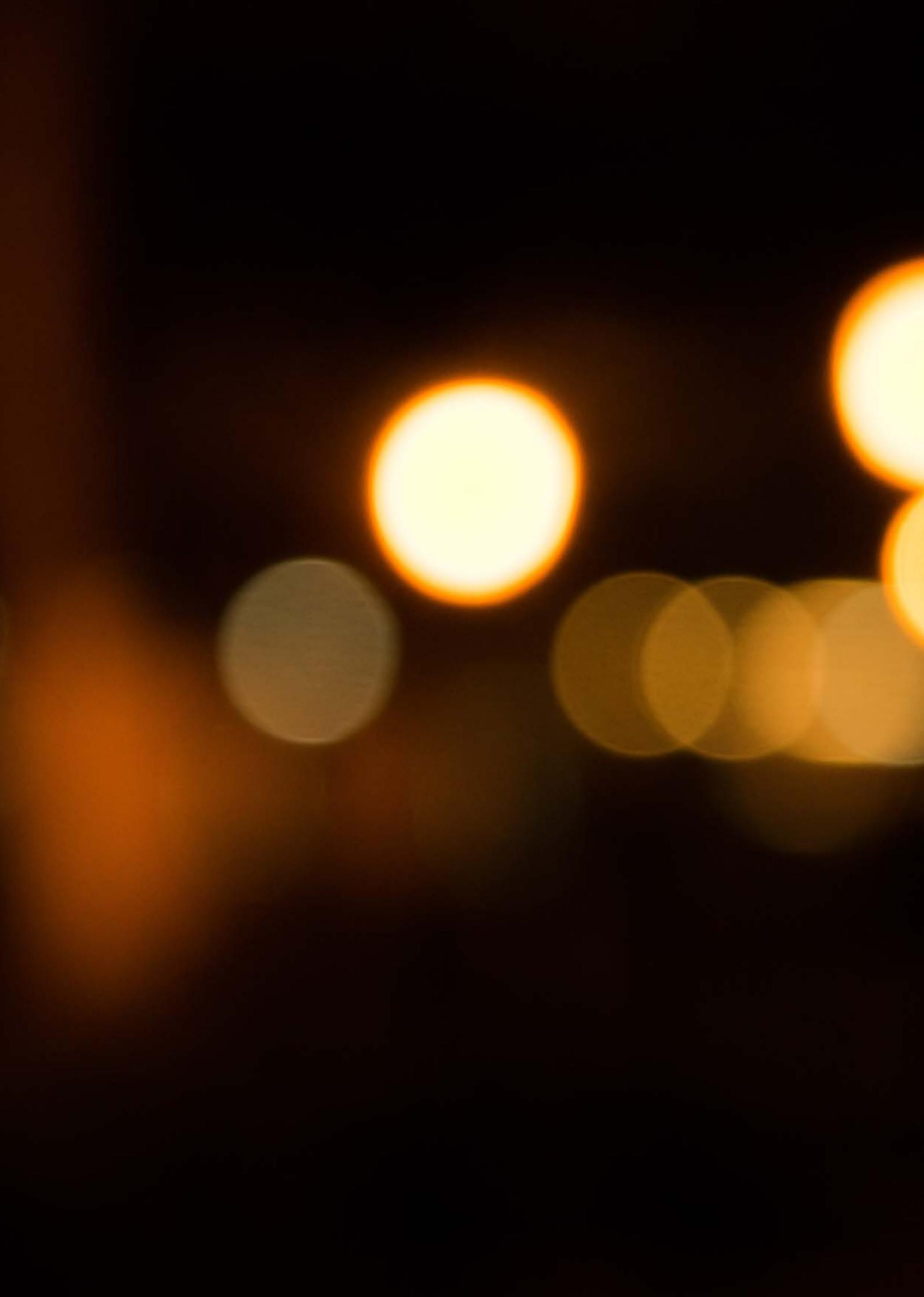
# About Zenith

Zenith is The ROI agency. We blend data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow our clients' businesses. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe [Euronext Paris FR0000130577, CAC40], and has offices within Publicis One. We have over 5,000 brilliant specialists across 95 markets. We are experts in communications & media planning, content, performance marketing, value optimisation and data & analytics. Zenith works with some of the world's leading brands including Aviva, Coty, Kering, Lactalis, L'Oréal, Nestlé, Nomad Foods, Oracle, RB, SCA and 21st Century Fox.

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