Global Intelligence

Data & insights for the new age of communication

05

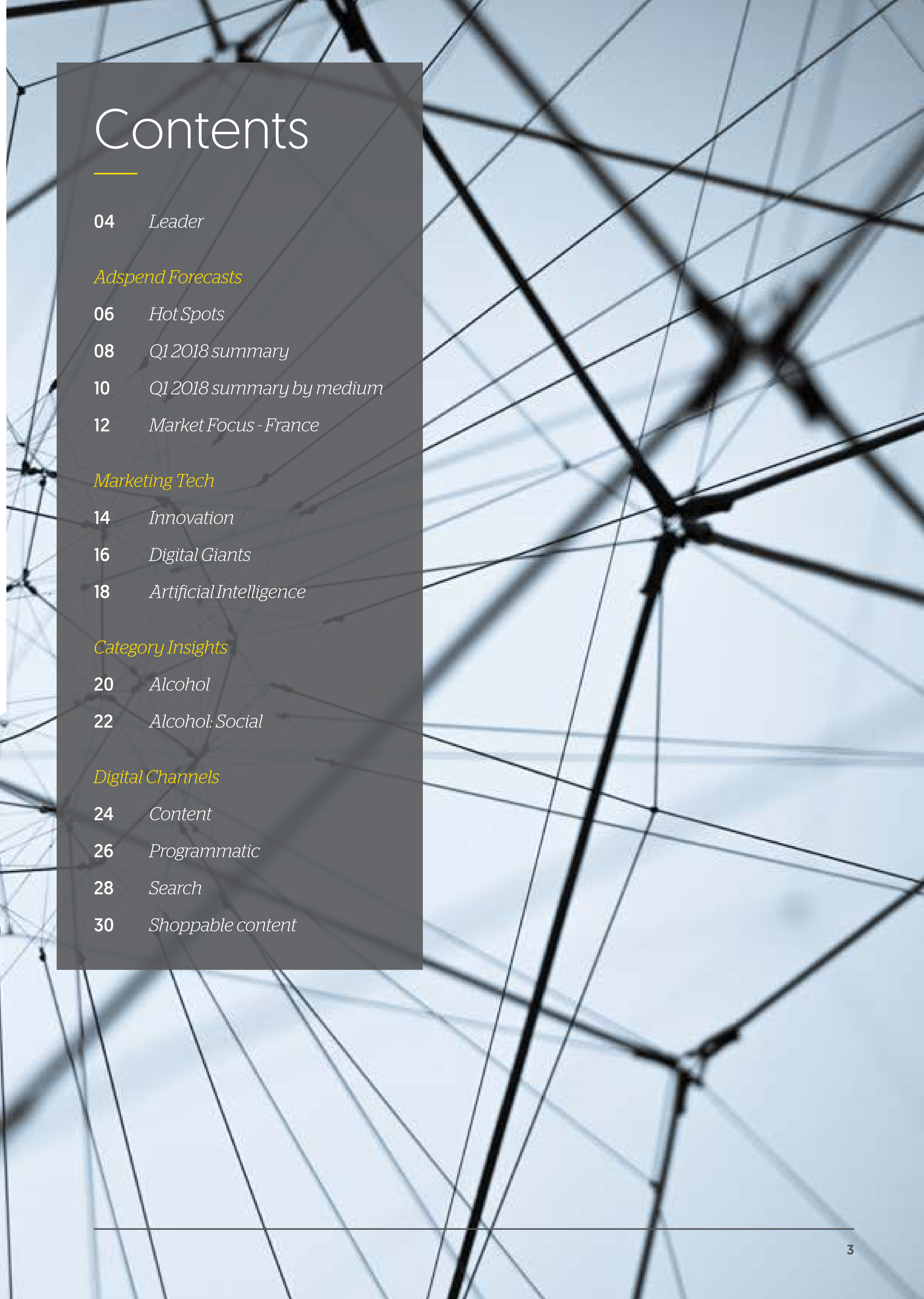
Q1 2018

Zenith

The ROI agency

Global Intelligence

Global Intelligence is an essential briefing for marketers, brought to you by the world's leading advertising expenditure forecasters. Published quarterly, *Global Intelligence* is a critical mix of data, insight and commentary, fuelled by Publicis Media's proprietary tools and authored by our communications experts. Led with an overview of the latest quarterly *Advertising Expenditure Forecasts*, each issue provides intelligence on key areas of contemporary communication, including digital and mobile, technology and automation, innovation, performance marketing, and branded content.



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Global Intelligence | Leader

Brand growth through digital media

Welcome to the fifth edition of *Global Intelligence*, and the first edition of 2018.

The principal theme of the advertising market over the past few years has been the growth of internet advertising. It accounted for 38% of all expenditure on advertising in 2017, more than any other medium, and up from 16% in 2010. Perhaps unsurprisingly, after such phenomenal success internet advertising is now facing pushback from a number of industry experts who are questioning its value. However, our research shows there has been no retreat in the pace of digital transformation. In contrast, advertisers continue to divert budgets to internet advertising, which we expect to account for 40% of adspend this year, and 45% in 2018.

This is because advertisers have learnt to use internet advertising effectively. In the early years of this decade, many brands were experimenting with internet advertising activities, and as tends to happen with experiments, many of these early campaigns failed. They did not reach the required audiences and change their opinions or behaviours effectively. But as our proprietary research has shown, in 2015 and 2016 brands learned to use internet advertising more effectively, and it is now punching above its weight compared to traditional media. We have also shown how digital marketing in a wider sense is contributing to brand growth, in particular the strength of website traffic and digital content, which we discuss in our summary of advertising expenditure by medium.

Paid advertising is only a part of the story of digital transformation. Advertisers are ramping up their spending on technology, innovation and content, in particular. In this edition we look at examples of each: the changing dynamics of programmatic auctions; start-ups focusing on applying artificial intelligence to marketing; and how NBA stars are using social media to promote their sport, drive the growth of their careers, and create new marketing opportunities for brands.

We also focus on alcohol brands, which face unique challenges to their paid advertising communications. So we examine the opportunities available to them for expanding their owned media activities, and increasing engagement through social media,

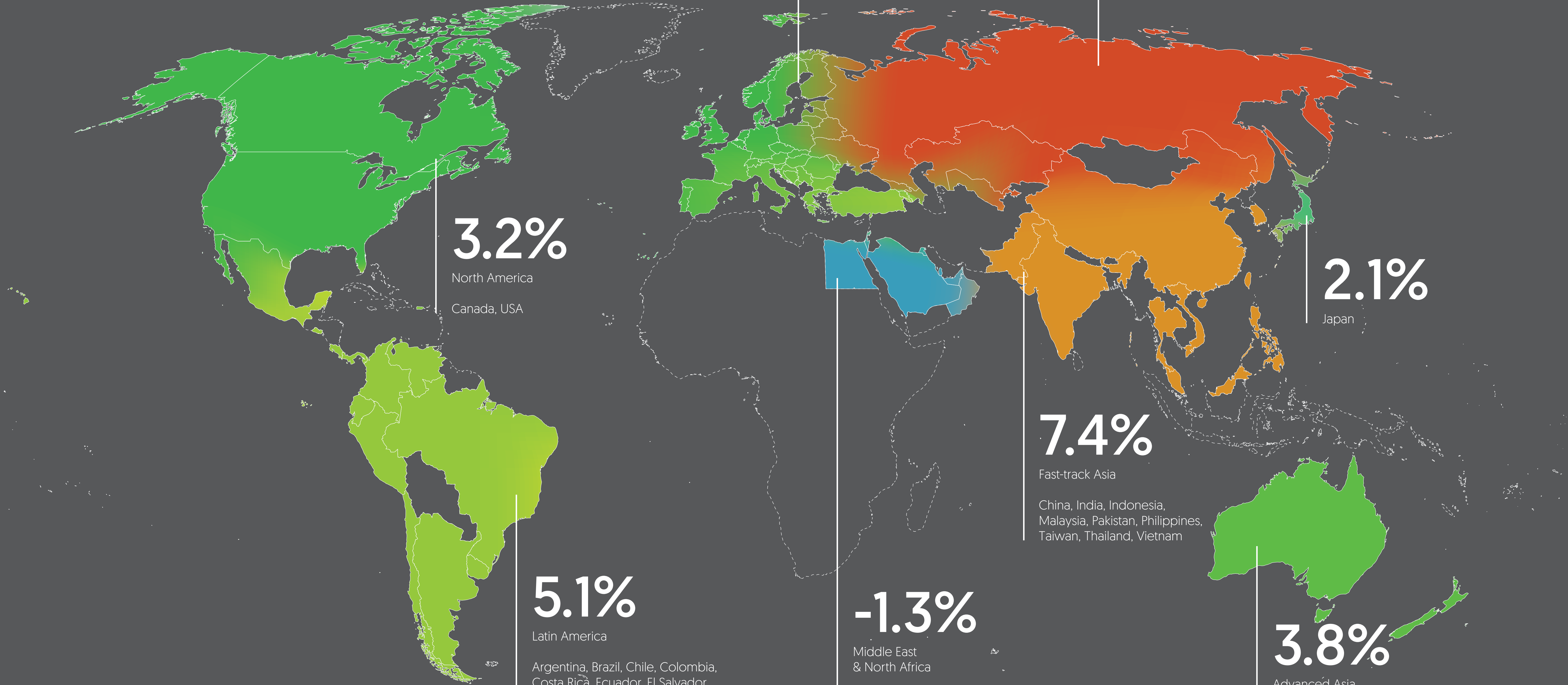
We hope you enjoy reading this edition of *Global Intelligence*. Please get in touch at Jonathan.Barnard@zenithmedia.com with any comments or suggestions.

Adspend Forecasts | Hot Spots

The world's advertising hot spots

Average annual growth in adspend by regional bloc 2017-2020

-2% 4% 10%



3.2%
Western & Central Europe

Austria, Belgium, Bosnia & Herzegovina, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK

8.8%
Eastern Europe & Central Asia

Armenia, Azerbaijan, Belarus, Bulgaria, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Turkey, Ukraine, Uzbekistan

3.2%
North America

Canada, USA

2.1%
Japan

7.4%
Fast-track Asia

China, India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan, Thailand, Vietnam

5.1%
Latin America

Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Peru, Puerto Rico, Uruguay, Venezuela

-1.3%
Middle East & North Africa

Bahrain, Egypt, Israel, Kuwait, Oman, Qatar, Saudi Arabia, UAE

3.8%
Advanced Asia

Australia, Hong Kong, New Zealand, Singapore, South Korea

Global advertising confidence rises rapidly

Confidence in the global ad market is currently improving rapidly. We now forecast global adspend to rise 4.6% this year, up from our 4.1% forecast in December.

Over the past three months we have upgraded our forecasts for global growth by 0.5 percentage points, thanks in particular to improved economic growth in China and Argentina. Such a large revision to our forecasts is unusual; the last time we revised them upwards by so much was back in March 2011. We now expect the global ad market to reach US$578bn in 2018.

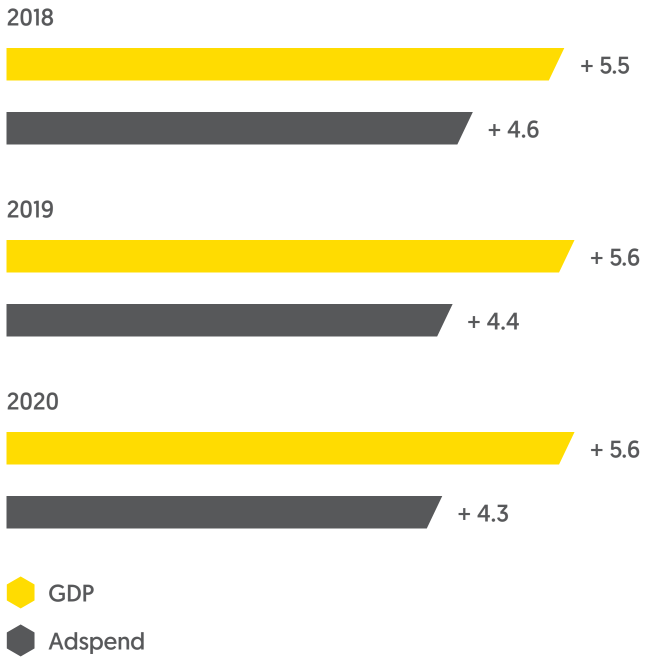
Our global forecasts for 2019 and 2020 are also above the forecasts we made three months ago, though not by so much. We forecast 4.4% growth in 2019 and 4.3% growth in 2020, both forecasts being up by 0.2 percentage points.

China's economy has surprised analysts with particularly strong growth in early 2018, with industrial production and infrastructure spending beating expectations. Investment in manufacturing has picked up, and business confidence has increased. We now expect adspend to grow 8% this year, up from our 6% forecast in December. China is the world's second biggest ad market, accounting for 15% of global adspend, so an upgrade here has a big effect on the global total. A notable development here is that television has fought back against strong competition from online video and is no longer losing adspend, which it did in 2014, 2015 and 2017. We expect 1% growth in television adspend in China this year, alongside 13% growth in online advertising.

Argentina has recovered from its 2016 recession more rapidly than expected. GDP grew 2.8% in 2017, beating the IMF's forecast of 2.5% growth, fuelled by construction, agriculture and foreign investment. We now forecast that adspend will grow 1% in Argentina this year, up from our previous forecast of 2% decline, as consumer spending starts to rise again.

The Philippines and Ireland are also bright spots for ad market growth. The Philippines beat our expectations with 28% growth last year, and we have doubled our forecasts for this year from 11% to 22%. And new estimates of the true scale of digital activity in Ireland has boosted our forecasts of Irish market growth from just 1% to 7% in 2018.

Growth of advertising expenditure and GDP 2018-2020 (%)



Source: Zenith/IMF

Adspend Forecasts | Q1 2018 summary

Ten fastest growing markets

The ten biggest ad markets

Ad expenditure (US$m)

2017		2020
USA 197,474	1	USA 217,175
China 80,440	2	China 97,355
Japan 42,972	3	Japan 45,691
UK 24,442	4	UK 27,259
Germany 22,077	5	Germany 23,498
Brazil 13,243	6	Brazil 15,185
South Korea 11,812	7	South Korea 13,351
France 11,669	8	Australia 12,909
Australia 11,646	9	France 12,648
Canada 9,653	10	Indonesia 11,776

Source: Zenith/IMF

Growth in ad dollars

(US$m 2017-2020)

Advertisers focus on digital brand experiences

Amid growing industry speculation about cuts to digital advertising budgets, we have found no evidence that advertisers as a whole are shifting budgets away from online advertising – in fact, its share of global advertising expenditure continues to rise rapidly.

We forecast that advertisers will spend 40.2% of their budgets on online advertising in 2018, up from 37.6% in 2017. This growth in spend is part of the wider process of digital transformation, as advertisers invest in technology, data and innovation to revolutionise their relationships with consumers.

The concerns of global advertisers about the effectiveness of some digital media investments and the safety of the digital environment have been widely reported. However, a number of Zenith's global research projects link brand experience impact and brand growth to progressive use of digital throughout the consumer journey.

New research from Zenith demonstrates the value of investing in transformational digital marketing. We created a standard index of brand growth, comparing results from prominent studies and matching brand performance with a series of communications and media benchmarks. Initial findings indicate that the fastest growing brands within categories such as communications, financial services and automotive tend to perform strongly on measures such as share of category search and website traffic; along with effective content marketing and strong performance in earned digital media. For automotive brands, for example, there's an 89% correlation between their ability to rise up the index and the traffic to their websites. For financial services brands, rising up the index has a 71% correlation with the popularity of their owned content, and for communications brands it has an 81% correlation with how much of their revenue they spend on advertising.

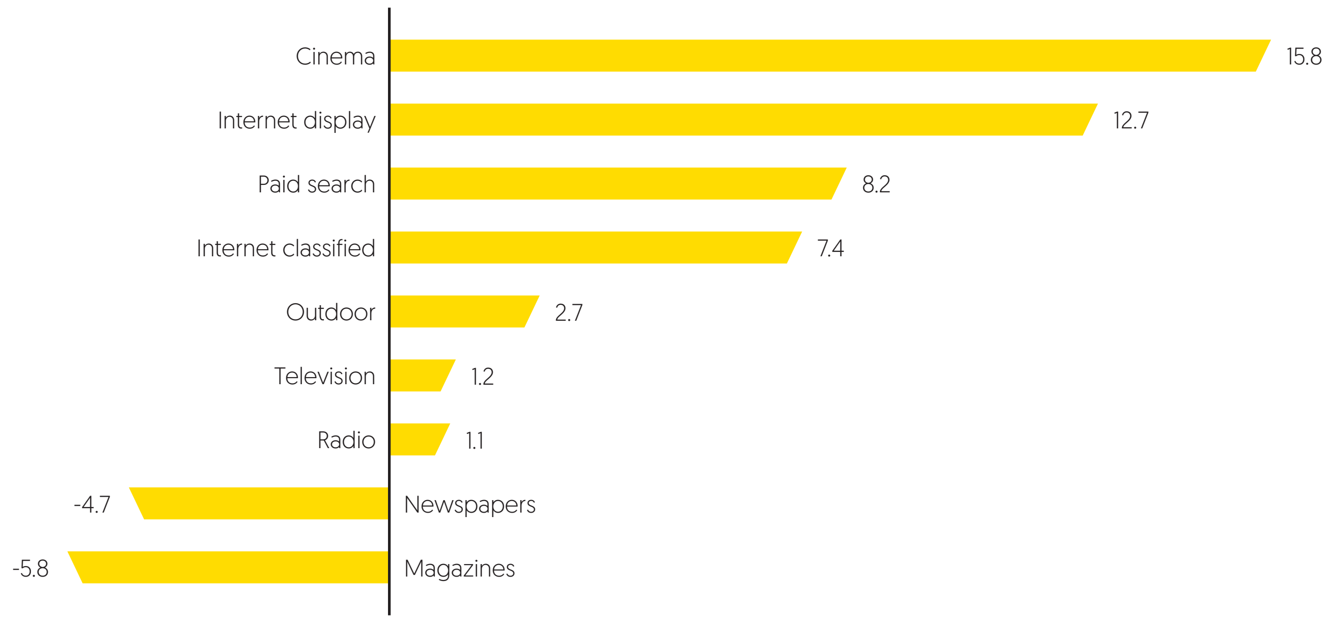
We have also seen clear correlations between brands with high capabilities in marketing and media, and categories in which digital channels have high influence on the consumer journey. This suggests a positive reinforcement between the recognition of the digitisation of consumer behaviour and the positive transformation of marketing organisations.

Globally, advertisers continue to increase the share of their budgets allocated to paid digital channels. Online advertising grew by 13.7% in 2017 to US$204bn. It accounted for 37.6% of global advertising expenditure in 2017, up from 34.3% in 2016. This year we expect online advertising's market share to exceed 40% globally for the first time, reaching 40.2%. In 2017 online advertising already accounted for more than 55% of adspend in three markets (China, Sweden and the UK), so there is plenty of potential for further growth. By 2020 we expect online advertising to account for 44.6% of global adspend.

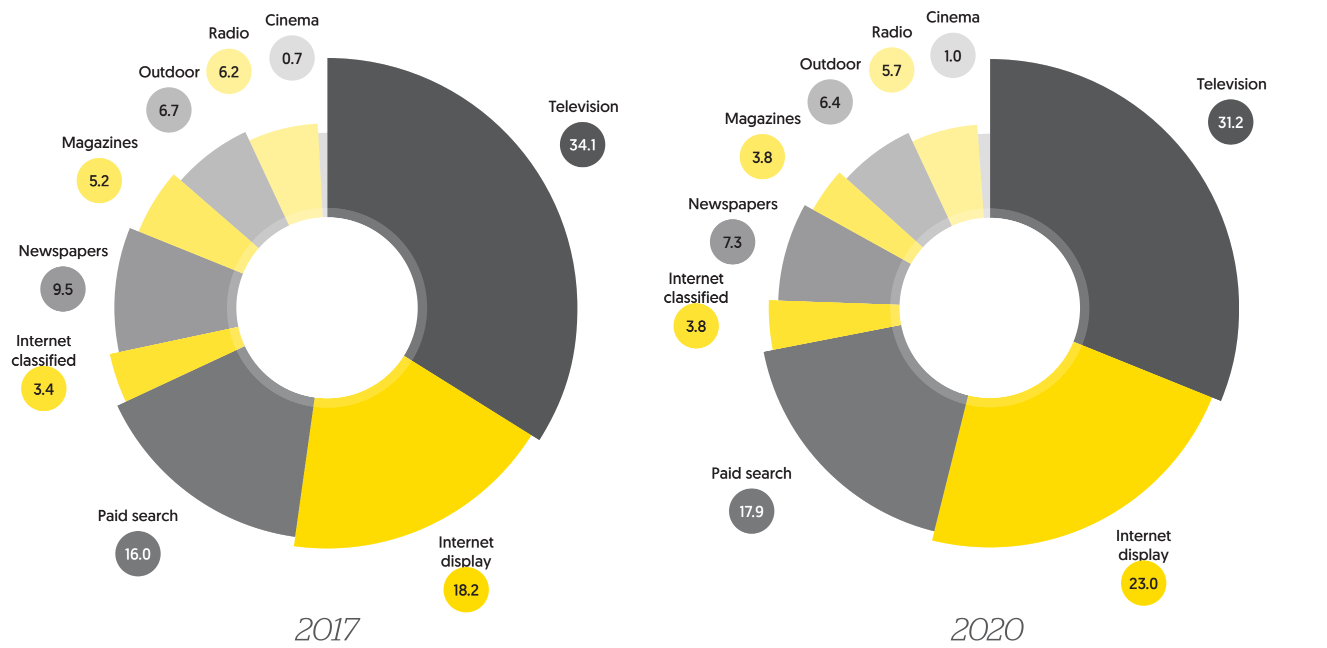
Of course the rise in online advertising tells only part of the story of digital transformation. Rapid as the rise of online adspend has been, the rise of advertising tech has been much faster. Zenith tracked the revenues of 14 listed ad tech companies between 2010 and 2016, and found that their revenues grew five times faster than online revenues over this time. Companies have also invested heavily in innovation – since 2010, companies in the OECD have increased their investment in research and development three times faster than they have increased their adspend.

Adspend Forecasts | Q1 2018 summary by medium

Average annual growth rate by medium 2017-2020 (%)



Share of global adspend by medium (%)



Adspend in France

France is the eighth-largest ad market in the world, and the third-largest in Europe. It struggled during the eurozone crisis in the first half of the decade but growth is now picking up, led by internet advertising – particularly video, mobile display and mobile search.

French manufacturing held up in the second half of 2017, with a strong performance by the aerospace industry. Household consumption picked up thanks to spending on textiles and household equipment. Both public and private investment growth held steady. However, exports slowed while imports jumped markedly. The IMF estimates that GDP grew 1.6% in 2017, up from 1.2% in 2016, and forecasts 1.8% growth for 2018. These positive signs herald a healthier environment for the French ad market than it faced in the first half of the decade, when adspend remained essentially stagnant.

We revised our adspend forecasts upwards in September thanks to increased confidence in digital and improvement in the economic environment. We now think that 2017 ended up slightly ahead of our December forecast, with 2.5% growth rather than our forecast 2.0%. But the continued weakness of traditional media has led us to downgrade our longer-term forecasts, despite the continued strength of internet advertising. We now forecast annual growth rates of 2.7% every year to 2020, compared to our previous forecasts of 2.7% growth in 2018, 3.0% in 2019 and 3.2% in 2020.

The football World Cup will boost adspend this year, as will the Euro football championship and Summer Olympics in 2020.

Internet advertising grew faster than expected in 2017, by 13.0% instead of our previous estimate of 10.6%. Search, video and affiliates advertising were all well ahead of expectations, with only traditional display disappointing. We don't think internet advertising will be able to maintain this pace of growth, however, and forecast 10.9% growth in 2017, 10.1% growth in 2019 and 9.3% growth in 2020. Growth will be led by video (which will grow at an annual average rate of 23.0% a year between 2017 and 2020), mobile display (which will grow at 25.6%) and mobile search (18.3%).

Television will benefit somewhat from new legislation allowing broadcasters to show products for sponsorship. But the migration of budgets to online video has caused us to revise our forecasts for television growth downwards. We now expect the television market to be flat this year, shrink 0.5% next year and shrink 1.0% in 2020. The government is still consulting about plans to allow currently banned categories such as films, retail promotions and literary publishing to advertise on television, and to authorise addressable television advertising. The former could boost television adspend by €150 million to €200 million a year, but faces strong opposition from other media. Addressable television is less controversial but is not expected to launch until 2020-2021 at the earliest.

Radio continues to shrink as advertisers shift budgets to online audio platforms.

Outdoor is growing slowly, thanks to contractors' investment in digital outdoor displays.

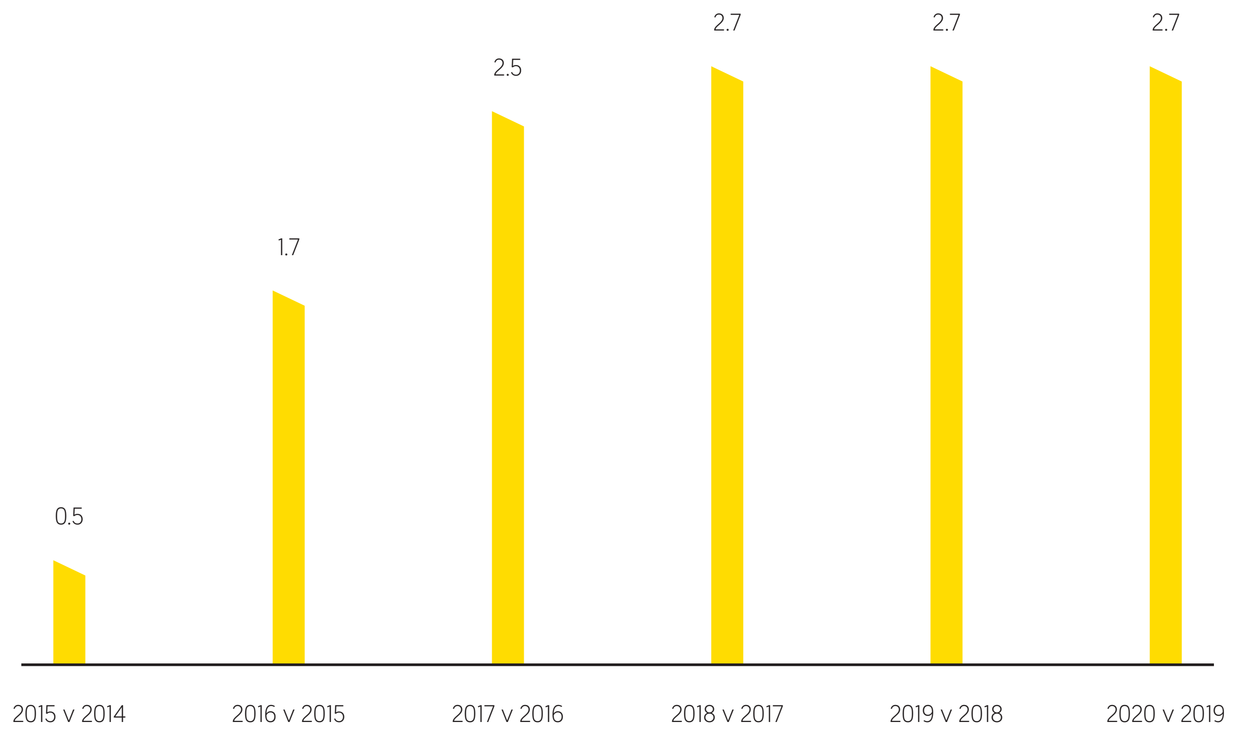
Newspapers and magazines will continue to shrink by 7%-8% a year, while cinema will grow by 3% a year.

The internet overtook television to become the largest advertising medium in France in 2016. By 2020 we expect internet advertising to account for 43.8% of total ad expenditure, compared to television's 28.2%.

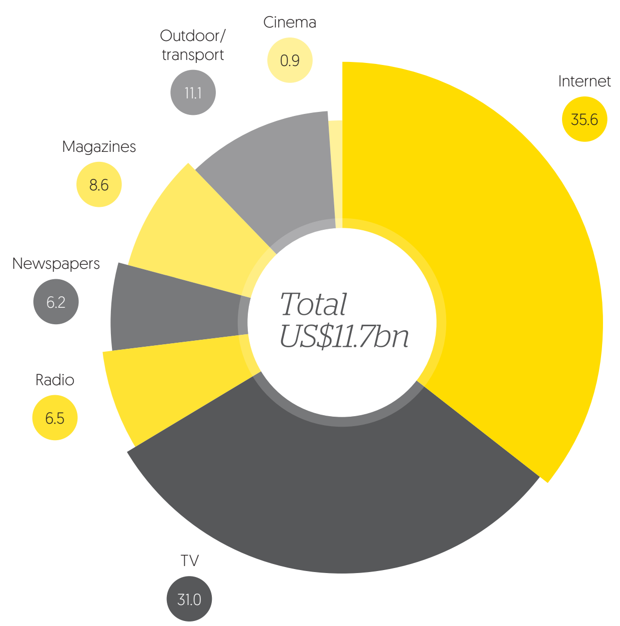
Adspend Forecasts | Market Focus – France

Adspend in France

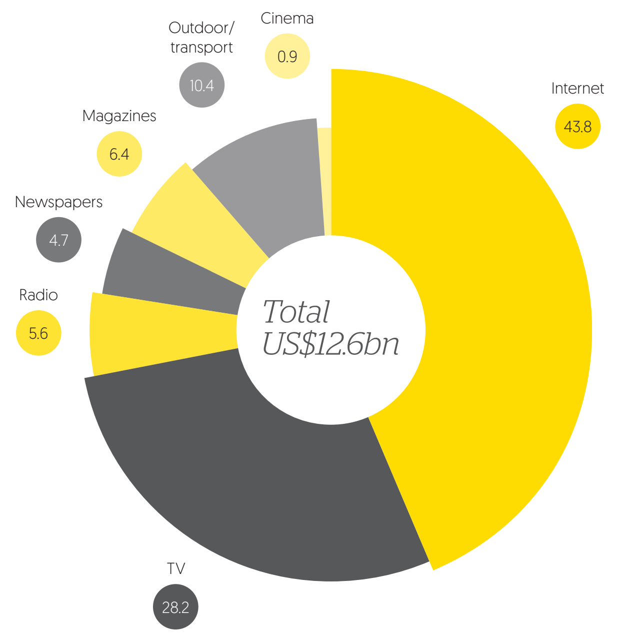
Year-on-year change at current prices (%)



Share of adspend by medium (%)



2017



2020

Start-up watch

This time on start-up watch, we look at four exciting start-ups that are harnessing the power of artificial intelligence for brands.

Spectrm

Messenger apps are becoming the favourite way to communicate remotely for more and more people, especially the young. But brands need to be able to conduct true conversations if they are to use them to engage with consumers. Spectrm is a team of experts in conversational AI, who develop messenger apps and build bots tailored to deliver content and brand engagement.

Facenote

Personalisation is big business online, where it allows brands to use data to maximise the value of their transactions. It is tough for offline stores to do the same. Facenote offers a facial recognition technology that allows stores to recognise their repeat customers, allowing them to tailor their products and services to individual preferences, and offer rewards to their most valuable customers.

Opearlo

Voice is the fastest-growing way in which people interact with their devices and online services. Opearlo is a voice interaction agency, which makes products, services and content accessible by voice, through Amazon Alexa, Google Home and Microsoft Cortana.

Formisimo

Web forms and online checkouts can be difficult and frustrating to use. Many potential customers start the checkout process but give up before they complete it. Formisimo offers a machine-learning method to increase conversions on forms and checkouts, automatically, using self-learning actions to rescue sales that would otherwise be lost.

Facenote's facial recognition software identifies customers in real time, allowing stores to personalise their shopping experience.

Snapchat – a year after its IPO

Snapchat has celebrated its first anniversary as a public company. How is it performing, for investors, users and brands?

Like any publicly listed company, Snapchat has faced deep scrutiny of its business performance, and investors have been evaluating its ability to be a viable advertising alternative to the existing giants (Facebook, Google and Amazon). It has also been vulnerable to market fluctuations driven by events outside of its control. When reality TV star Kylie Jenner recently claimed she was over Snapchat, it wiped more than a billion US dollars off Snapchat's market capitalisation. It shows how companies like Snapchat are very sensitive to the impact of large-scale influencers and have a complicated value eco-system where their value is derived not only from their ability to deliver a quality experience to their users and advertisers, but also from a community of culturally relevant influencers.

Like its social media competitors, Snapchat is not standing still. It has rolled out a redesigned app interface over the past few months to attract new users and make it easier to use in general. As expected, this redesign was not greeted with enthusiasm from all existing users. However, Snapchat's download rates have remained strong and the number of daily active users has continued to grow, and is approaching 200 million.

Snapchat's advertising eco-system is also looking up, with advertising revenue increasing faster than Wall Street expected and finally covering basic costs. Snapchat's ad buying model has also evolved in 2017 to an automated bidding process for selling ads, making it easier for more marketers to buy ads. Snapchat says that the number of its advertisers has more than tripled. One notable recent campaign was Nike's release of a pair of new Air Jordan sneakers on Snapchat that sold out in 23 minutes, according to TechCrunch. This move into e-commerce opens up a world of interesting opportunities for advertisers. It will also be interesting to see how Snapchat's Spectacles evolve in 2018. While critics have been very forthcoming with reasons why it's not a proven business model, Spectacles have undeniably had more success in user penetration and product experience than Google Glass, for example.

Finally, Snapchat has been a victim of its own success, with its large competitors responding to Snapchat's innovations by essentially copying them. Facebook has rolled out versions of Stories in Instagram, WhatsApp, Facebook Messenger and its own main app. Google is launching its own version of Stories. And Twitter has introduced advertising sponsorships of its own visually rich format, Moments.

But, if it can continue to innovate, Snapchat should have a bright future.

Marketing Tech | Digital Giants

Digital Giants *Q1 2018*

Our round-up of the latest results from the digital media giants that are transforming global media and communication

facebook

+48% *ad revenues year on year*

89% *of ad revenues from mobile*

51.2% *Global reach (all internet users)*

US$479bn *Market cap*

Facebook now has 1.4 billion daily users, almost all of whom access it using mobile devices for some or all the time. It has 2.1 billion monthly users around the world.

Facebook has changed its news feed algorithm, so users are more likely to see posts from their friends and less likely to see third-party content, and less likely to see news stories from outlets outside the mainstream. These changes caused the amount of time the average user spent on Facebook to shrink 5% in Q4 2017.

Facebook has been rolling out some of its more sophisticated ad products to small businesses. These products, such as Value Optimisation (which targets consumers based on Facebook's assessment of their likelihood to purchase a produce based on past purchases), were previously only available to big brands. Small businesses constitute most of the 70 million businesses that use Facebook globally, and represent a large (but unknown) proportion of its ad revenue.

Google

+43% *paid clicks year on year*

-14% *cost per click year on year*

74.1% *Global reach (all internet users)*

US$763bn *Market cap*

Mobile search and YouTube, along with strong growth in programmatic sales, continue to fuel most of the growth in Google's revenues (as reported by Google's holding company, Alphabet). YouTube now has 1.5 billion viewers per month.

Google has redesigned its mobile shopping experience, offering more product information and making payment easier, and integrating it with Google Pay. It has also added new tools to YouTube to help brands control where their ads are appearing. For publishers, Google has introduced AdSense Auto ads, which use machine learning to improve the yield of ads by optimising when and where they appear.

Twitter

+1% *ad revenues year on year*

+12% *active daily users year on year*

7.9% *Global reach (all internet users)*

US$25bn *Market cap*

Twitter now has 330 million monthly users, the same as in the previous quarter, but up 4% year on year. The number of daily active users increased by 12% year on year, so existing users are accessing Twitter more frequently. Analysts continue to worry about the slow growth in monthly users and the lack of disclosure of the absolute number of its daily users, but the stabilisation of ad revenues, which grew 1% year on year in Q4 after several quarters of decline, will have provided some reassurance.

In Q4 Twitter introduced a new self-serve tool to make producing Promoted Tweets easier and quicker, leading to substantial uptake among users. Like Facebook, Twitter is actively courting small businesses, and has introduced a new service for them called Twitter Promote Mode, which automates the promotion of their accounts and tweets.

Oath:

A Verizon company

US$2.2bn *quarterly revenue*

1bn *monthly unique users*

Yahoo 30.7%   *AOL* 4.1%

Global reach (all internet users)

Oath is the media subsidiary of Verizon, which bought AOL in 2015 and Yahoo in 2017, then merged the two under the new name Oath. Oath now consists of more than 50 online media and tech brands, including Yahoo, Tumblr, AOL.com, The Huffington Post, TechCrunch and Engadget. Verizon began integrating the businesses as soon as the acquisition was complete and expects to make substantial cost savings over the next few years.

Verizon has not yet released much detail about Oath's financial performance, but it has disclosed that its revenues grew from US$2.0bn in Q3 2017 to US$2.2bn in Q4, and totalled US$6.0bn for the year as a whole. (Yahoo did not contribute any revenues before June, when the acquisition was complete). Oath is dwarfed by the rest of Verizon's businesses, which generated a total of US$34bn in Q4, mostly from US telecoms.

Artificial Intelligence resolves paradox of consumer choice

Consumers face so much choice in online shopping that they can be paralysed into indecision. AI allows brands to personalise the choices offered to consumers, converting indecision into sales.

The digital environment provides endless aisles and product variety to consumers, 24 hours a day, providing an overwhelming number of options. It is no surprise that shoppers prefer some of those choices to be eliminated for them, so they can choose between a manageable selection. In November 2017 a Demandware Report revealed that personalised product recommendations now drive up to 26% of e-commerce revenue.

Consumers like the personal touch, and recommendation engines can play the role of digital shopping assistants. Implementing personalisation for individual users requires the analysis of vast amounts of data, and the ability to deploy the results in real time. This demands a more sophisticated system than traditional fixed decision trees. This is where Artificial Intelligence (AI) techniques – and in particular, neural networks – offer key advances.

The most commonly known applications of AI, in this context, are the look-a-like product recommendations based on a user's previous purchases or purchases from other users who bought similar items. These are used for prospecting, retargeting, cross-sell and up-sell.

Another set of AI techniques seek active responses from users to understand their personality and match those to products or services that they are most likely to purchase. For instance, Zenith is continuing its ground-breaking work in AI with a machine-learning application for a global client that is driving product conversions on a retail website. The AI-powered tool is a product-recommendation app that features the brand's range of fragrances together with competitive products. Zenith's algorithm continually assesses all consumer responses to a series of simple questions that lead to the fragrance recommendation. The algorithm determines how successful each recommendation is at converting and adjusts future recommendations accordingly. This means that when each consumer uses the app, it becomes ever more successful at driving conversions.

Soon, brands should – and will – extend the concept of personalisation beyond product selection and across the entire consumer experience, to maximise brand engagement and the desired response. Successful brands will design and execute with a customer context in mind for all touchpoints.

Machine-learning algorithms are being used in attribution models to optimise every paid digital touchpoint at the individual level. They 'learn' from historic data to understand what combination of touchpoints is most likely to generate a conversion. Similarly, AI techniques have enabled classification of individual components in any piece of content; text, pictures or videos. There is a great opportunity to link these applications of AI together with a recommendation engine.

An enhanced attribution capability that can model every touchpoint at the level of each creative component can provide greater insight into what works within the customer journey. The model can be further refined by including additional first-party or third-party audience data and actual shopping behaviour. The combination of these machine-learning applications with recommendation engines can ensure that the right content – creative and products or services offered – appears at each stage of the journey, and that each piece of content is as effective as possible at producing the desired consumer response at that stage. Such recommendation engines will retain freedom of choice for consumers but empower brands and marketers with techniques to structure these choices for greatest relevance.

Recommendation engines are already demonstrating their ability to drive better results across KPIs (e.g. for increased propensity to buy or higher average order values). By combining these systems with the knowledge of user journeys and content analysis, brands can create strategies across paid and owned marketing efforts that are more effective in sending users down the path of maximizing returns. AI and machine-learning can help brands unlock opportunities for personalised experiences that drive positive consumer decisions.

Category Insights

In focus: Alcohol

Marketing imperatives

- Alcohol brands still depend on mass-media advertising for communicating their values to consumers. But the rising tide of legal restrictions around the world means that brands cannot rely on paid advertising indefinitely.
- Instead alcohol brands should look to influential but underused owned channels, so they can continue to communicate just as effectively, but in ways that are not vulnerable to tougher advertising legislation.

TOUCHPOINTS ROI TRACKER

Based on consumer research, Touchpoints ROI Tracker is Publicis Media's brand contact measurement and planning tool. Since 2004 a total of 1,123 Touchpoints projects have been completed across 66 countries, comprising 992,289 consumer interviews that provide contact point metrics for 14,914 brands in 330 product and service categories. The data for all projects are stored in a single internet-accessible database. This database provides normative and trend data for 290 touchpoints.

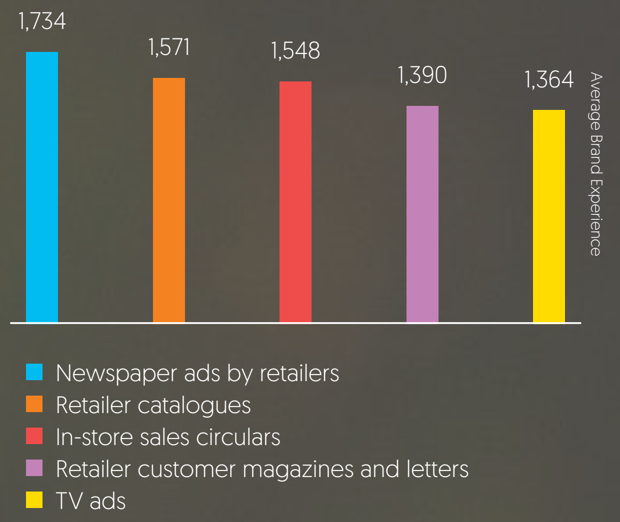
Consumers around the world spend about US$600bn on alcoholic drinks each years. Six of the world's biggest 100 advertisers, as measured by *Advertising Age*, are alcohol advertisers: Anheuser-Busch InBev, Heineken, Diageo, Pernod Ricard, Molson Coors Brewing and Suntory Holdings. The industry has struggled with weak sales in recent years, but started to pick up in 2017 as larger companies began to meet demand for high-quality craft beers and premium spirits in developed markets, and for economy brands in emerging markets.

Alcohol advertisers rely heavily on paid advertising for brand communication. The top six advertisers alone spent US$15 billion on advertising in 2016. According to our proprietary research, paid media is responsible for nearly half of all consumer experience of alcohol brands.

We use our Touchpoints ROI Tracker tool to monitor trends in brand communication over the full range of paid, owned and earned touchpoints. One of its outputs is Brand Experience, which measures the reported importance of each touchpoint in shaping consumer attitudes and influencing consumer behaviour. It tells us that 47% of alcohol Brand Experience comes from paid media, compared to 40% for owned media and just 13% for earned media. Two of the five touchpoints that contribute the most to Brand Experience are paid media touchpoints: newspaper ads by retailers at number one, and TV ads at number five.

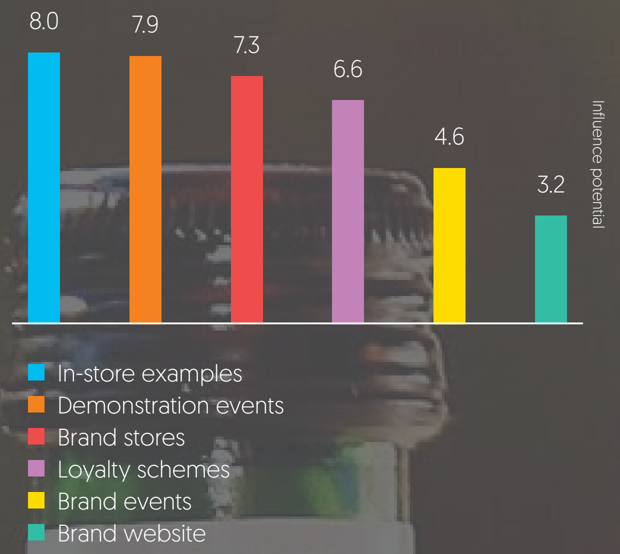
However, this reliance on paid media means that alcohol brands' communications plans are vulnerable to disruption and may not be sustainable in the long term. Governments around the world face continued calls for further restrictions on alcohol advertising. Lithuania has just enforced a ban on alcohol advertising on TV, radio, print and the internet, and Australia and Ireland are debating new restrictions. Alcohol brands face a ratchet

The five biggest contributors to alcohol brand experience



Source: Touchpoints ROI Tracker Global Norms

Owned assets with the highest influence potential



Source: Touchpoints ROI Tracker Global Norms

effect: regulations are sometimes tightened, but rarely if ever loosened. Alcohol brands should plan for having less access to paid media in the future, and potentially no access at some point.

Our Touchpoints research shows that alcohol brand owners are underusing some valuable owned assets that could be used to mitigate any loss of paid media channels. These assets have above-average influence – that is, they are more likely to change consumers' beliefs and behaviours when they encounter them. But they have below-average brand association – so consumers are less likely to encounter them. By making them more prominent, brands can make the most of their high ability to sway consumers.

As the chart shows, brands have the opportunity to reach potential customers more effectively through samples and live events, which have high influence potential. This is a combined measure of the underuse of these touchpoints (the gap between their reach and the reach of the average touchpoint), and their extra influence (how much more likely these touchpoints are to influence behaviour). Most of them are expensive at scale, though, which is why brand websites are so important. Although they have less absolute influence potential, they put the brand within the reach of everyone. Having a robust brand website with compelling content and a coherent story is probably the most efficient way of improving the effectiveness of alcohol brand communication.

In focus: Alcohol

Marketing imperatives

- To achieve cut-through, spirits brands should encourage inclusive conversations on their social media pages that preach to the unconverted.
- Paid posts that invite user interaction are an effective means to achieve this.

SOCIALTOOLS

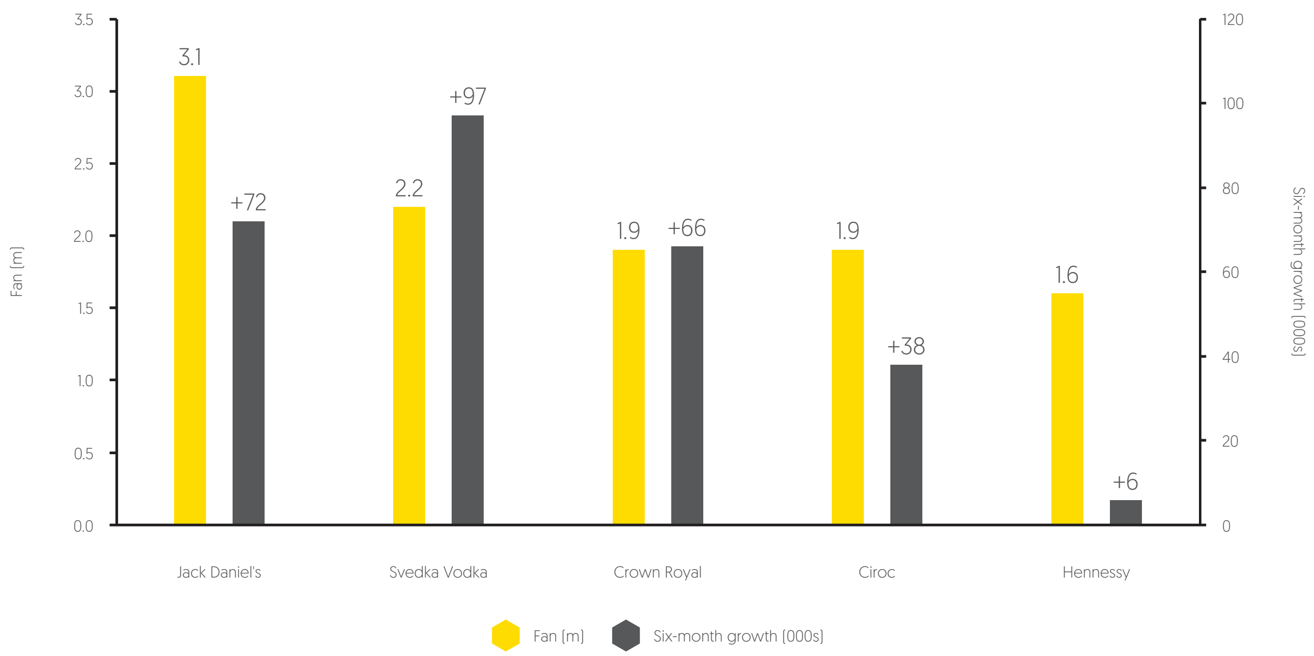
Socialtools is Zenith's proprietary social content performance tracking tool. Socialtools is currently tracking the daily performance of 166,000 pages across six social platforms (Facebook, Twitter, YouTube, Instagram, LinkedIn and VKontakte), providing evaluation of the effectiveness of social content for brands and their competitors in 185 countries. Socialtools charts show performance trends across a wide variety of social engagement metrics. The brand performance data, norms and rankings provide insights into social media best practices for brands in 19 macros categories and 125 categories.

Spirits brands face a common problem on social media: while they may attract a large number of passive followers, those who actively engage with the brands tend to be a small number of vocal enthusiasts who are already regular buyers. Brands need to broaden the conversation to include the wider audience, and increase the reach of their social pages.

These are the top international spirits brands on Facebook. The number of followers may look low – that's because Facebook reports the fan numbers for global and local pages for the same brand separately. Jack Daniel's is the top brand by some distance, but Svedka Vodka is the fastest growing, Crown Royal overtook Ciroc to claim third place in November 2017.

The number of fans is a weak measure of the health of a Facebook page. A better measure is the number of active users, defined as those who respond to, comment on or share posts from the page. That's because active users are more likely to see the content posted on the page, since Facebook is more likely to filter out posts from pages that a user has no demonstrated interested in. More active users also mean that the conversation is more likely to include casual buyers and potential converts, not just the committed enthusiast.

Top international spirits brands on Facebook



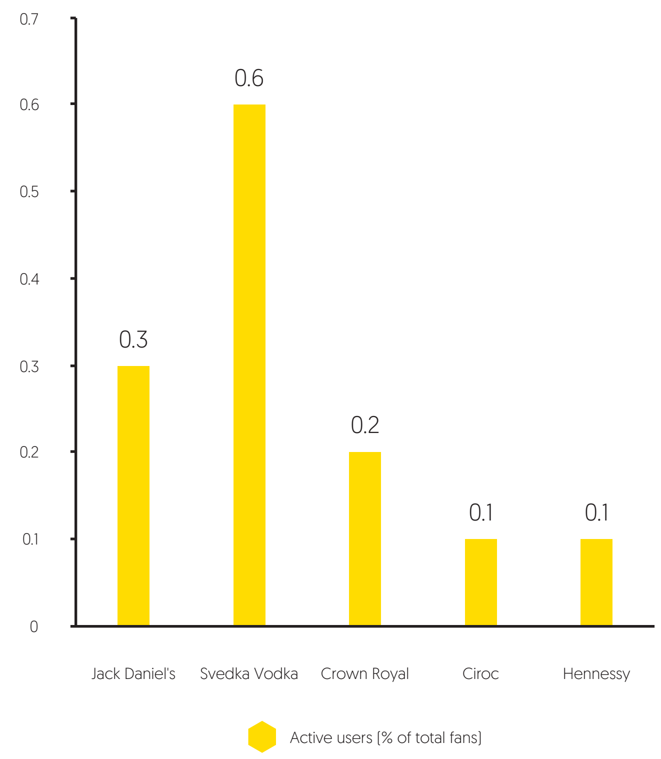
Source: Socialtools January 2018

Among the top five brands, Svedka Vodka is the most successful at converting its fans into active users, followed by Jack Daniel's and Crown Royal. Tellingly, each brand's ability to encourage their fans to be active users correlates with their fan growth over the last six months – an active community is more attractive.

As mentioned, fans who aren't recent active users are less likely to see Facebook posts, so it's difficult to encourage them to join the conversation. The way around that is to craft posts that actively encourage interaction, and pay to ensure that they are viewed by a wide audience. According to proprietary research available through Publicis Media's Socialtools, Jack Daniel's and Svedka Vodka paid to boost the reach of 80% of their posts in January 2018. Crown Royal boosted 60% of its posts, Hennessy boosted 20%, while Ciroc relied on organic reach for all of its posts that month.

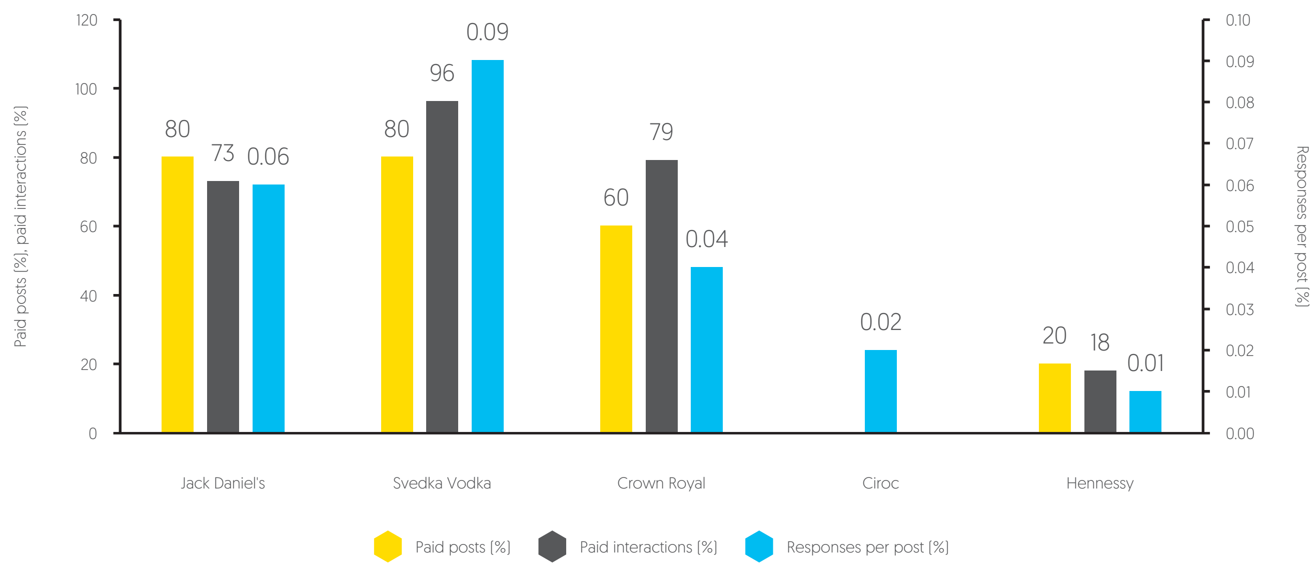
The brands had varying success in using their paid posts to recruit active users. Jack Daniel's and Hennessy had slightly fewer interactions on their paid posts than on their organic posts, but Svedka Vodka and Crown Royal achieved much better response rates from their paid posts. Overall Svedka received the highest response rate across all its posts, followed by Jack Daniel's and Crown Royal, with Ciroc and Hennessy some distance behind. For the top spirits brands fan growth, active communities and the effective use of paid posts are closely tied together.

User activity for top brands



Source: Socialtools January 2018

Converting paid posts into active responses



Source: Socialtools January 2018

How sporting superstars fuel brand conversations online

Sport plays a powerful role in connecting people, on social media as well as in the flesh. Fans are passionate and engaged, and are eager to talk about – and with – their favourite teams and players online. Brands can tap into fans' enthusiasm and connection with their team by becoming part of the conversation on social media.

There has been a lot of talk recently about the NBA replacing the NFL as America's favourite sports league. Now the league's top players, as well as a crop of fresh faces, are driving new dialogue with fans on social media that is transforming the game and opening up new opportunities for brands. Publicis Media Sport and Entertainment decided that the NBA would make a great subject for a study on the power of sport in social media, and how brands can tap into it. Together with Blinkfire Analytics we tracked the ability of players to amass and engage fans online, and used the results to create an NBA Basketball Social Performance Index (SPI).

Some of the NBA's greatest players are active on social media, giving fans a front-row seat to drama as it unfolds on and off the court. Media rights for the NBA are much more flexible than the NFL, allowing content to go viral more easily. Players' posts fuel speculation about everything from trade deals to rivalries and dating rumours. More importantly, NBA royalty like LeBron James and Stephen Curry weigh in on everything from societal issues to pregame commentary to family life. A new shorthand language has emerged on this channel, and you do not have to be an avid NBA fan to follow the conversation.

Good content is what drives followers, likes and fans. Kevin Durant (the second-most-followed NBA player) and James Harden (the fifth) are popular but do not offer a true look behind the scenes, and so their SPI scores have been dropping since 2016. In contrast, Curry and James chime in on current events and show inside looks at their family and personal lives, consistently earning them top spots in our SPI ranking.

According to our research, the average daily engagement driven by the top 117 NBA players doubled in 2017, while the frequency of posting remained the same, thanks partly to greater use of Instagram.

The annual NBA All-Star game is an event where popularity reigns supreme and determines which players are selected. In the early rounds of voting, several young players were surprising lead contenders, ranking ahead of some of the more established players of the game. These players, including Giannis Antetokounmpo, Kristaps Porzingis and Joel Embiid, are all in their early 20s and are very active on social media. All increased their SPI score this year, with Antetokounmpo scoring +47, followed by Embiid at +29 and Porzingis at +11. Antetokounmpo and Embiid were ultimately named All-Star starters, showing how younger and more socially-engaging players are making names for themselves and amassing loyal fan bases.

Embiid is a prime example of someone who has helped transform the culture of the NBA through social media. He is witty, authentic, and shares content that includes other global sports and athletes. Despite having fewer followers than Golden State Warriors' Klay Thompson, Embiid is more skilled at engaging his fan base. Over the past year, he has generated 11,000 more likes and 3,800 more comments. Embiid's popularity extends far beyond 76ers devotees – roughly 98% of his followers do not identify as 76ers fans or even follow the team on social media sites.

NBA players have become their own content creators. While brands can partner with them to drive awareness among their followers with simple endorsements, that would not make the most of their potential. Brands can driver greater ROI by working more closely with the players to craft an extended inside story that players can tell of the role brands play in their family or team lives.

There are still marketing opportunities to be found. There are several players who hold a strong SPI ranking who have not yet been engaged by brands. Those brands that can align authentically with these untapped social media superstars can engage with a new generation of NBA fans and followers. After all, these social media-savvy NBA stars have already demonstrated they can keep the conversation going on social long after the final whistle is blown.

PUBLICIS MEDIA CONTENT

Digital Channels | Programmatic

Auction Dynamics: how to cut through the noise

Marketing imperatives

- To maximise the value of their programmatic buys, brands need to be aware of how the transactions are conducted. Varying the bid price and comparing it to price paid can give you information that allows you to improve bid efficiency.
- Consider moving more transactions to private marketplaces, which offer better results, better transparency and less risk.

Advertisers trying to understand how the current programmatic workflow affects their marketing budgets are faced with a daunting task. With a vast array of ad technology services, platforms and cost models on offer, it is becoming increasingly difficult for advertisers to cut through the noise. One of the areas garnering much attention is the supply chain. While third-party tools have created a level of control for advertisers on the buy side, most sell-side technology was not built to transact in real-time bidding (RTB) auctions.

This means it's not always clear what takes place between when a bid is submitted and a clearing price is returned. It can also cause uncertainty for publishers over how to price inventory and who is buying it.

To overcome these operational complexities, it is important to understand how programmatic RTB auctions work, if there are any hidden supply side fees and where the ads are appearing.

Historically, RTB transactions have been conducted using a second-price auction. This means that the winning bidder doesn't actually pay what they bid, but pays US$0.01 above the second-highest bid.

When programmatic began, publishers used a 'waterfall' set up with multiple SSPs (Supply Side Platforms), stacked based on priority. If the first SSP did not sell the available inventory, it would be offered on the second, and so on. Over the past two years, header bidding – where publishers make their inventory available to multiple exchanges at the same time instead of sequentially – has fast become the new normal. While header bidding can create higher CPMs for publishers, it forces SSPs to compete with one another on price in a way that they had not in the past. SSPs raise the closing price of their auctions to increase their probability of winning, and adjust their fees or implement variable price floors, which are not always disclosed to the buy side platform. Buyers are unable to detect these floors and often must bid higher to win the same amount of impressions.

The use of these tactics has led many to argue that there is no longer such a thing as a fair, or true, second-price auction. While fees are an inevitable and important part of the programmatic ecosystem, buyers and sellers need to have better transparency into when and how the fees are applied.

SSPs and exchanges have started adopting a first-price auction model, where the winning bidder pays exactly the price they bid. Ideally this delivers more working media to the publisher, squeezing margins of the ad tech players in the middle, but it comes with its own set of challenges. The rollout has been inconsistent and confusing, with different SSPs approaching it in different ways. Some have gone 100% first price, while some have experimented with only part of their inventory. Some have switched over to first price without alerting the buy side at all.

Major DSPs have addressed the change in auction dynamics in various ways. Some are focused on adjusting their algorithms to automatically account for market norms and prevent overpayment. Others are bidding specifically on first-price or second-price inventory. DSPs are also starting to provide information about buy-side fees, either in their platforms or in custom reports to provide more clarity into where the working media dollar goes.

Auction Dynamics Best Practices

Monitor CPMs by exchange to identify and address any major pricing variations
When monitoring eCPMs and performance by exchange, compare the bid and the price paid to identify if a first-price auction or dynamic floors are affecting pricing. This will help create specific bid strategies by tactic and channel to avoid ever-creeping CPMs.

Campaigns that easily hit spend targets with 'Pace Evenly' should consider lowering their bid prices a small amount each day until they begin to underspend, then they should raise the bid price accordingly to spend the budget. This will inherently improve CPMs and mitigate problems imposed by the fragmented auction dynamics system.

Private marketplaces provide a structured environment with lowered risk
Private marketplaces, especially fixed-price deals, help with rate savings. They also offer priority positioning, viewability goals and brand-safety guarantees that are easier and cleaner to manage. Grouping publisher deals by auction type will also provide a structured, transparent environment with lowered risk.

Ask DSPs what products are available in their self-serve user-interfaces
This will help identify, target, and optimise against inventory running on first-price models. Ensure there are no pass-through costs from SSPs/exchanges without disclosure, which will shine a light on previously undisclosed fees.

Push for universal standards that provide a more transparent marketplace
Participate in industry certification such as TAG in the US or DTSG in the UK, and evaluate new technologies such as blockchain to broaden your view of the potential future landscape.

Search and shopping get closer

The paid search market is slowing as it approaches US$100bn in size, a milestone it will reach next year. But the integration of search with shopping – as Amazon steps up its search services, and Google improves its e-commerce offering – will continue to make search more valuable.

Zenith has increased its forecast for growth in paid-search adspend this year from 9% to 10%, but growth is decelerating as the channel reaches full maturity. However, emerging paid search formats – like commerce, home assistants and other voice-activated assistants – will drive growth over next few years.

Up-and-coming search platforms to take share from market leaders

eMarketer has identified a loss of US market share by all the main search providers in 2017, and expects that to continue to 2020. It forecasts that Google's share of US search ad revenue will fall from 75.0% in 2016 to 71.1% in 2020, while Microsoft's share will drop from 8.0% in 2016 to 6.0% in 2020. Oath's share jumped from 0.6% in 2016 to 3.1% in 2017, but that's because it acquired Yahoo that year. Their combined share fell, and eMarketer predicts it will fall further over its forecast period.

The big winner will be Amazon, which eMarketer forecasts to increase its share of US search from 0.9% in 2016 to 2.6% in 2020, an increase of US$1.3bn. Amazon has really only dipped its toe into the paid search market; given its centrality to the e-commerce market, it could be a huge force in the market if it chose to.

The seven listed search providers accounted for 91% of spend in 2016. eMarketer expects them to account for 84% of spend by 2020 as the market opens up to up-and-coming competitors.

Annual growth in paid-search adspend

2017	2018	2019	2020
11%	10%	8%	7%

Net US search ad revenues, by company, 2016-2020

billions, % change and % of total

	2016	2017	2018	2019	2020
Google (US$)	**24.60**	**28.84**	**33.26**	**37.91**	**42.98**
% change	20.2	17.2	15.3	14.0	13.4
% of total	75.0	73.6	72.6	71.1	71.1
Microsoft (US$)	**2.61**	**2.93**	**3.24**	**3.45**	**3.64**
% change	8.1	12.1	10.6	6.5	5.5
% of total	8.0	7.5	7.1	6.5	6.0
Oath (US$)	**0.21**	**1.21**	**1.23**	**1.25**	**1.27**
% change	-1.4	478.3	1.8	1.8	1.8
% of total	0.6	3.1	2.7	2.3	2.1
Yelp (US$)	**0.62**	**0.71**	**0.83**	**0.97**	**1.10**
% change	40.5	15.6	17.0	16.0	14.0
% of total	1.9	1.8	1.8	1.8	1.8
Amazon (US$)	**0.28**	**0.44**	**0.72**	**1.09**	**1.59**
% change	58.0	58.5	63.5	51.0	46.0
% of total	0.9	1.1	1.6	2.0	2.6
IAC (US$)	**0.45**	**0.41**	**0.38**	**0.36**	**0.35**
% change	-31.8	-8.7	-6.5	-5.2	-3.8
% of total	1.4	1.0	0.8	0.7	0.6
Yahoo (US$)	**0.99**	-	-	-	-
% change	-20.8	-	-	-	-
% of total	3.0	-	-	-	-
Total search ad spending (US$)	**32.81**	**39.20**	**45.81**	**53.34**	**60.41**

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; includes contextual text links, paid inclusion, paid listings (paid search) and SEO
Source: company reports; eMarketer, March 2018

Performics

Google announces shopping actions

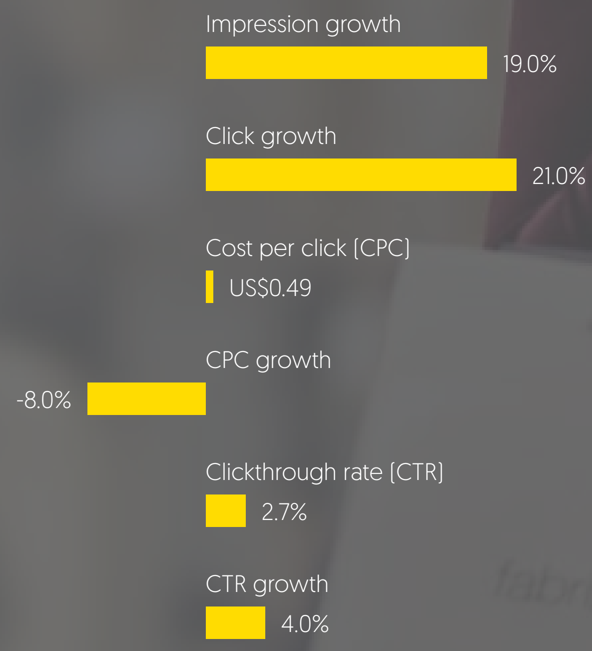
Google recently announced a new program called Shopping Actions, which will enable a Universal Shopping cart across Google properties. This allows retailers to sell their products directly on the Google SERP (search engine results page), within Google Assistant results on mobile and voice, and across the shopping and delivery service Google Express. Retailers will pay Google a percentage of the value of each sale transaction, similar to how brands pay Amazon for each unit sold.

Global paid search impressions and clicks rise, while CPCs fall

Search continues to increase its reach at lower costs. Global paid search impressions increased by 19% in Q4 2017, while clicks increased by 21%. At the same time, CPCs fell 8%. Search is becoming more effective and more efficient.

Paid search ad performance metrics

Worldwide, Q4 2017



Source: Kenshoo, January 2018

Shoppable content set to take off

Shoppable content began as a way of turning visual images into sales, and is now moving into online video and live-stream retail, which enables consumers to shop in real-time directly from live content, boosting engagement and sales from this growing retail platform.

Shoppable content is online content that allows consumers to buy featured products without being redirected to another site. The development of shoppable content is very much a natural progression for brands, which have been harnessing new technologies and platforms to drive product discovery and personalise the shopping experience.

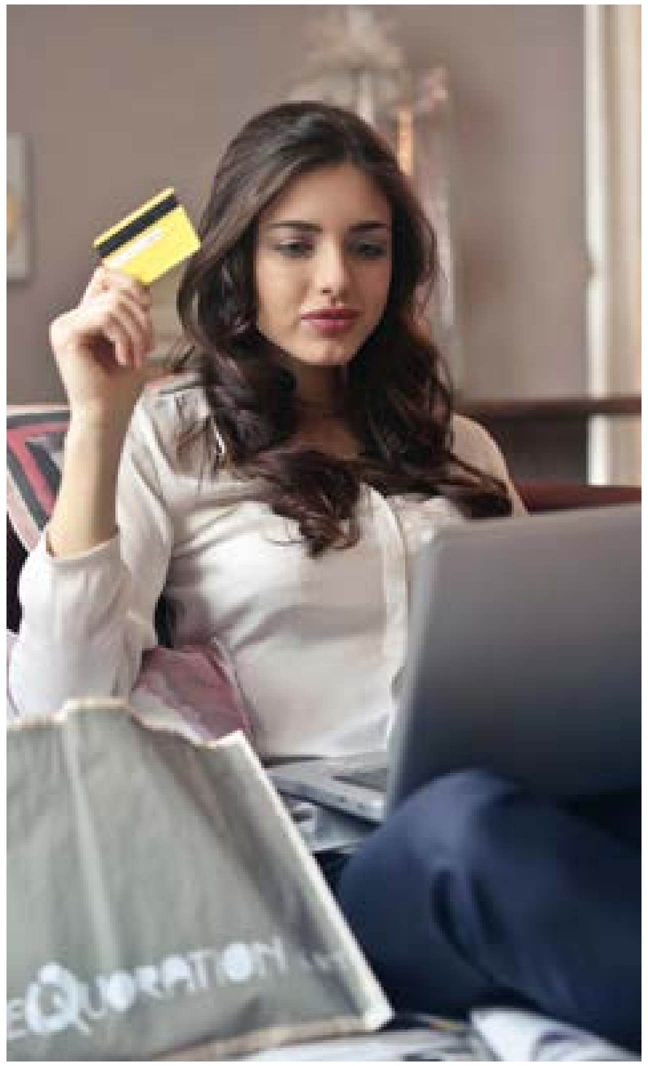
Advertisers started by making their images shoppable, after which video was the next logical next step. The power of video for shopping is undeniable: transaction rates for video content are 1.6 times higher than for static images (according to McKinsey's research in 2015). However, we still see most advertisers using video as a traffic tool, rather than a way to drive conversions.

Video platforms are making it easier to add shopping to video, 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, such as Cinematique's touchable videos. Marketers need to test different formats and platforms and think carefully about how to integrate e-commerce calls to action into the video content they create.

And there is a new twist on shoppable content that will grow in importance in 2018: 'live-stream retail' enabling consumers to interact with brands and shop via livestreaming. Live streaming retail, or shop streaming, is already popular in China, where Deloitte expects it to be worth US$4.4bn in 2018, reaching 456 million viewers. Chinese brands have found success by hiring Chinese internet influencers to promote and sell their products, which are often offered at special discounts. The conversion rate can be up to 32%, according to Taobao Live.

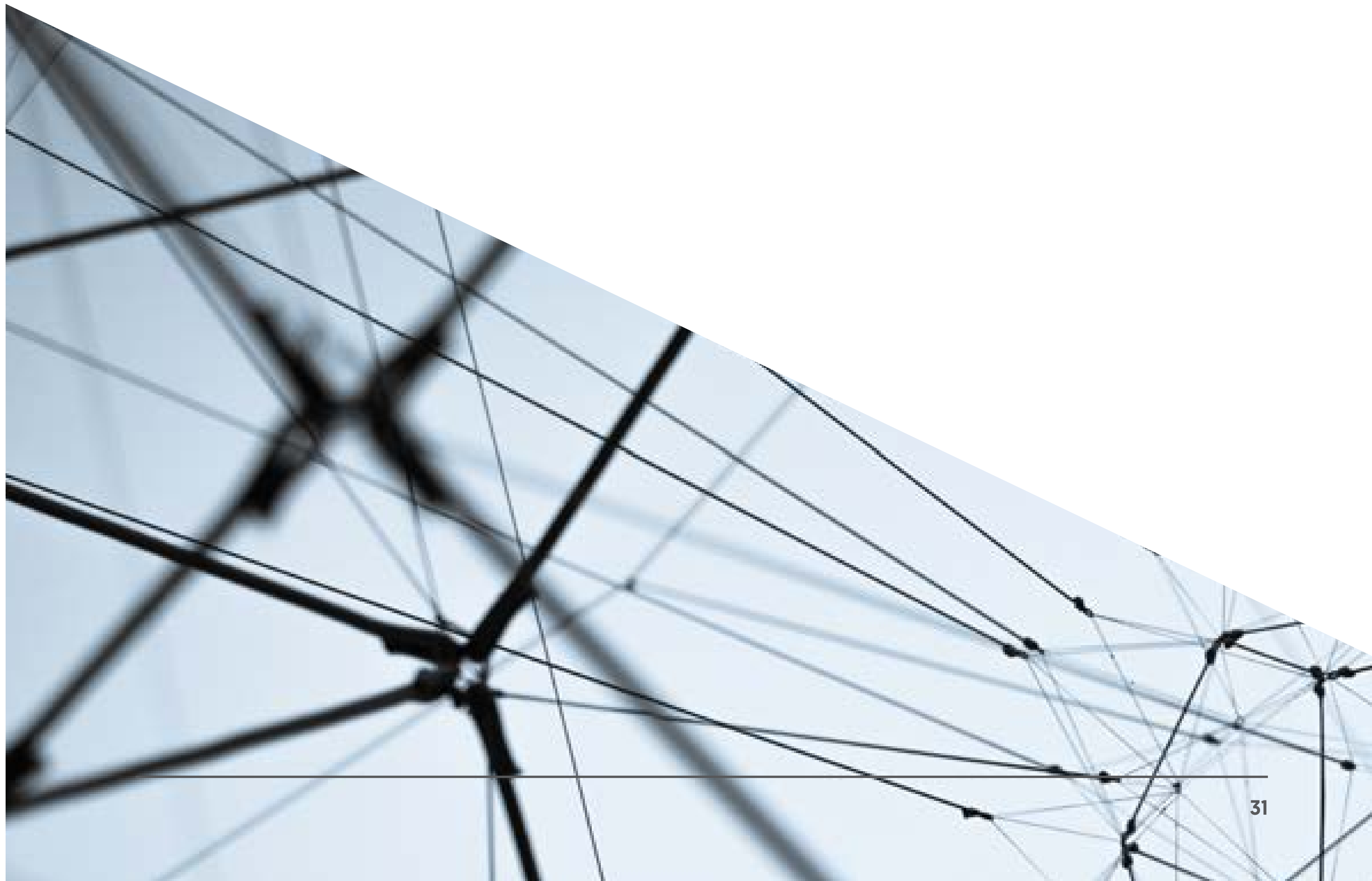
This shopstreaming works best for speciality shops, where shoppers can receive individual attention and answers they will not receive from any product page. A growing number of small businesses are using Facebook Live to show off and sell their wares, taking bids from punters in the comments. Gadgets, which often need quite a bit of explaining, are particularly in evidence.

Shoppable content and live streaming are exciting new forms of content built for commerce that are set to radically change how consumers shop in coming years. Publishers will need to have the back-end process in place to ensure easy and effortless shopping and to meet growing demand. As full commerce functionality is built into content, brands will be able to leverage customer data to develop content that will drive consumers to discover and shop.



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, Nestlé, Nomad Foods, Oracle, RB, SCA, Sanofi and 21st Century Fox.



Zenith

The ROI agency