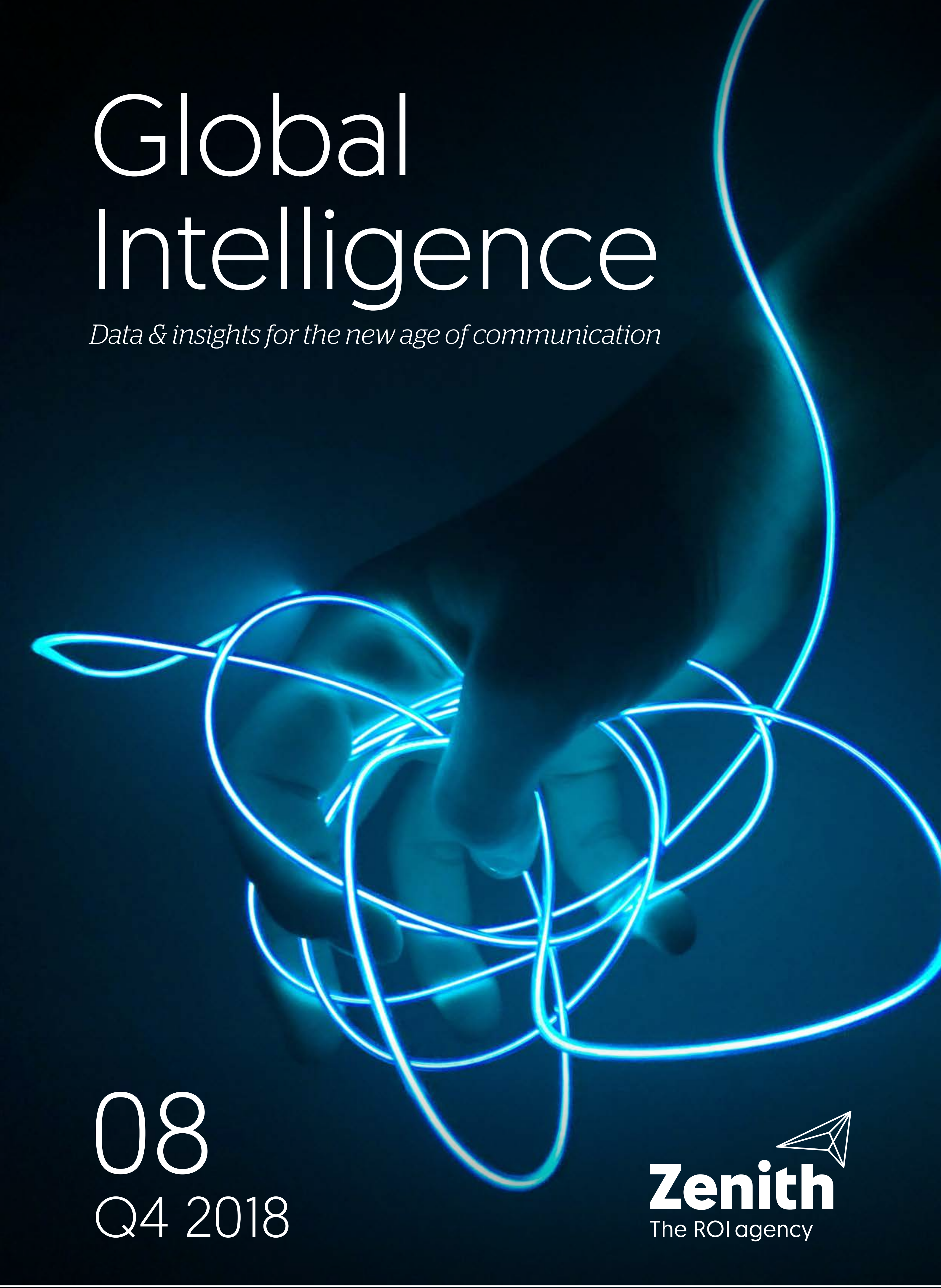
Global Intelligence

Data & insights for the new age of communication



08

Q4 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.

Contents

E-commerce opens new opportunities for brand communication

Welcome to the eighth edition of *Global Intelligence*, Zenith's quarterly magazine about the global transformation of media and communications worldwide.

In this edition we look at the problems with targeting consumers by age. The days when the young were hard to reach, had high disposable income and were amenable to brand messages because they were most likely to change their mind, are over. We advocate targeting consumers of any age, based on mind-set, when they are most open to changes in brand behaviour. One such time is at the point of purchase, and brands are taking the opportunity to communicate with consumers when they are buying online, by advertising on e-commerce sites. This form of advertising has grown rapidly in China to occupy nearly a fifth of the entire ad market, and is now poised to take off internationally. Before jumping into e-commerce advertising, though, brands need to understand how best to work with retailer sites to maximise value.

Carrying on the e-commerce theme, we look into shoppable content, which allows marketers to turn their branded content assets into direct drivers of sales. It also provides a clear measure of the return on investment in content, which until now has been lacking.

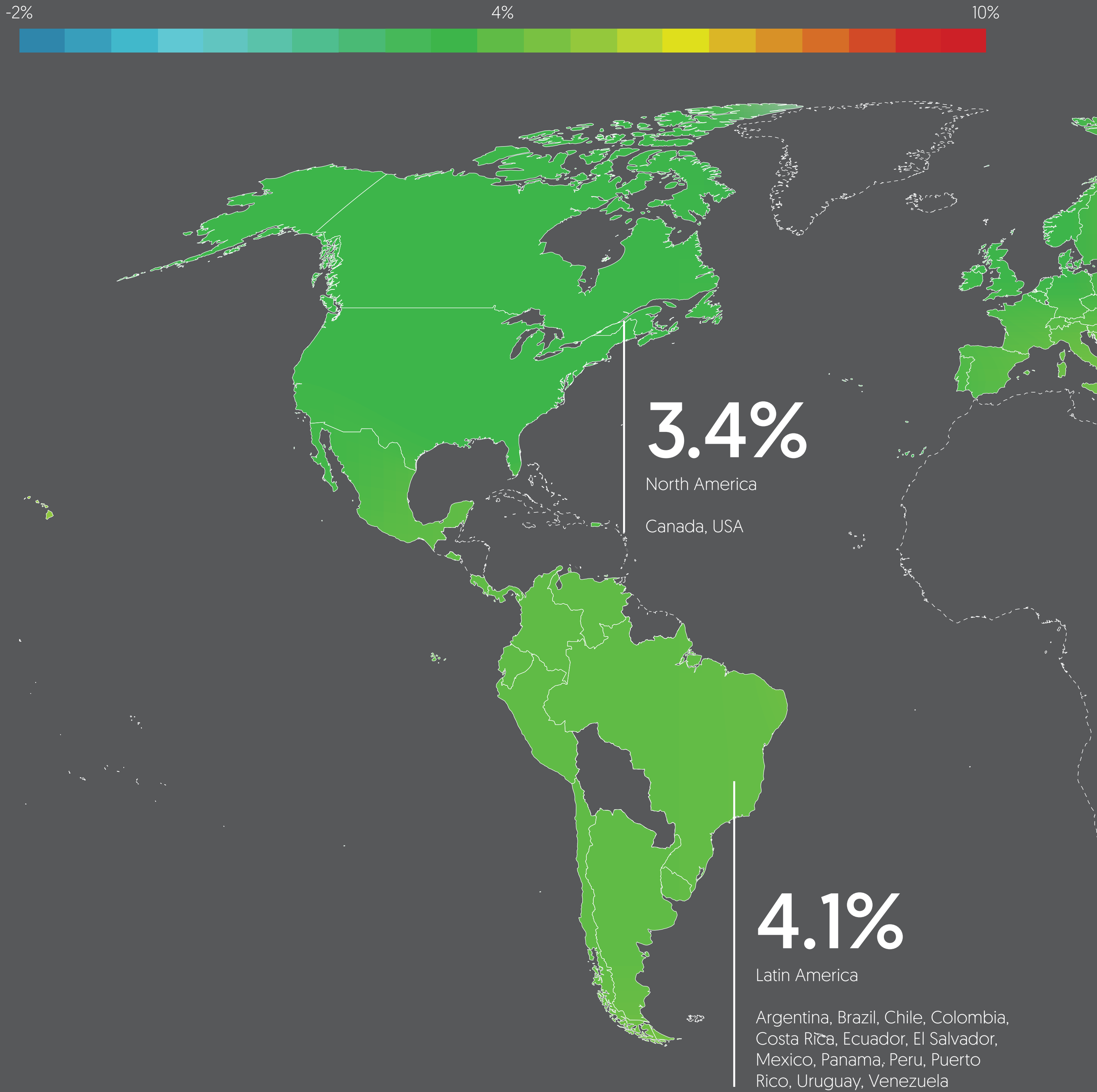
Our chosen category for this issue is automotive. In this category the most important medium for paid advertising is still television – which has been a common theme in our coverage of different categories – but most consideration of auto brands now takes place online, where search, social and video ads are becoming ever more effective. The biggest social platform for auto brands is still Facebook, at least in terms of number of fans, but it is getting even tougher to reach fans organically and provoke a response. Promoted posts are a key tool for engaging consumers of Facebook. Auto brands are now shifting their attention to Instagram, an aspirational platform for driving awareness well before consumers make their purchase.

We end with a look at this year's CES at Las Vegas, and what practical implications the exhibits have for what brands should be doing right now.

I hope you enjoy reading this edition. Please get in touch at Jonathan.Barnard@zenithmedia.com if you have any comments or suggestions.

The world's advertising hot spots

Average annual growth in adspend by regional bloc 2018-2021



3.0%

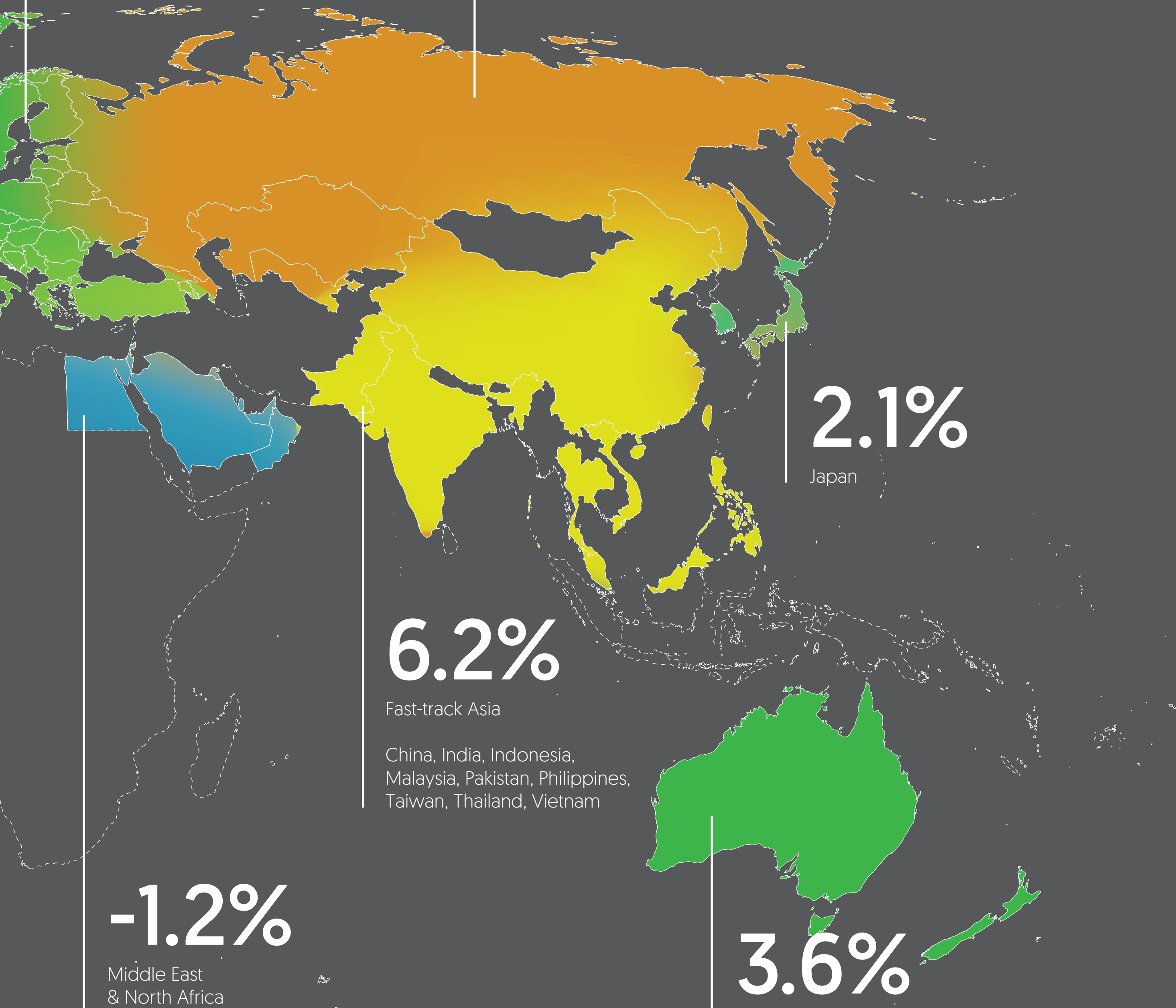
Western & Central Europe

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

7.4%

Eastern Europe & Central Asia

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



2.1%

Japan

6.2%

Fast-track Asia

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

-1.2%

Middle East & North Africa

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

3.6%

Advanced Asia

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

Rising markets support steady global adspend growth

Global adspend continues to grow, as fast-growing markets in Central & Eastern Europe, Asia Pacific and Latin America play an ever more important role on the global stage.

We estimate that global advertising expenditure grew 4.5% in 2018, boosted by the Winter Olympics, FIFA World Cup and US mid-term elections. We forecast growth to remain steady and positive for the next three years, at 4.0% in 2019, 4.2% in 2020 and 4.1% in 2021.

Central & Eastern Europe will be the fastest-growing region, with average growth of 6.3% a year between 2018 and 2021, driven by continued strength in Russia, which is growing at 6.8% a year and accounts for 39% of the regional total. Asia Pacific is next, growing at an average of 4.9% a year, or 5.7% a year excluding Japan.

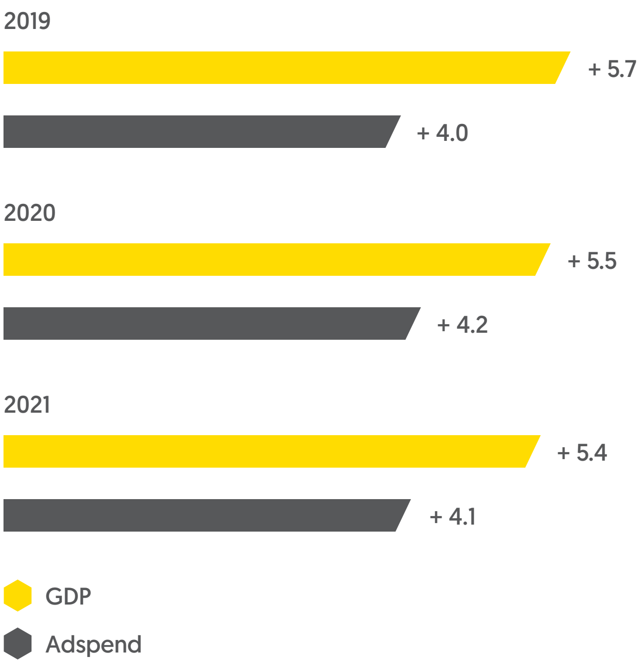
We forecast just 1.7% growth in Latin American adspend in 2019 as the Argentine peso continues to lose value, but predict an average growth rate of 4.1% a year to 2021. North America and Western Europe are both growing at about 3% a year.

The Middle East and North Africa is the clear underperformer, with an average annual decline of 1.2% forecast to 2021. However, MENA is starting to recover from the deep advertising recession caused by the drop in oil prices, political turmoil and conflict. We forecast a 4.9% drop in adspend in MENA in 2019, down from 11.6% in 2019, before the market stabilises at 0.4% growth in 2020 and then grows by 1.0% in 2021, which would be MENA's first substantial growth since 2014.

India is a stand-out growth market. We forecast it to grow at 13.5% a year on average, from US$9.7bn in 2018 to US$14.2bn in 2021, when it will become the world's eighth largest advertising market, entering the top ten for the first time. India has huge potential for further growth, with advertising taking up just 0.3% of GDP, less than half the Asia Pacific average of 0.7%

Young advertising markets like India are playing an ever-more-important role in driving global growth in adspend. 'Mature' markets – by which we mean North America, Western Europe and Japan – account for 62% of global adspend this year, down from 75% ten years ago. 'Rising' markets – by which we mean all markets apart from the 'Mature' ones – will contribute 54% of the growth in global adspend between 2018 and 2021, increasing their share of global expenditure from 38% to 40%.

Growth of advertising expenditure and GDP 2019-2021 (%)



The ten fastest growing markets

The ten biggest ad markets

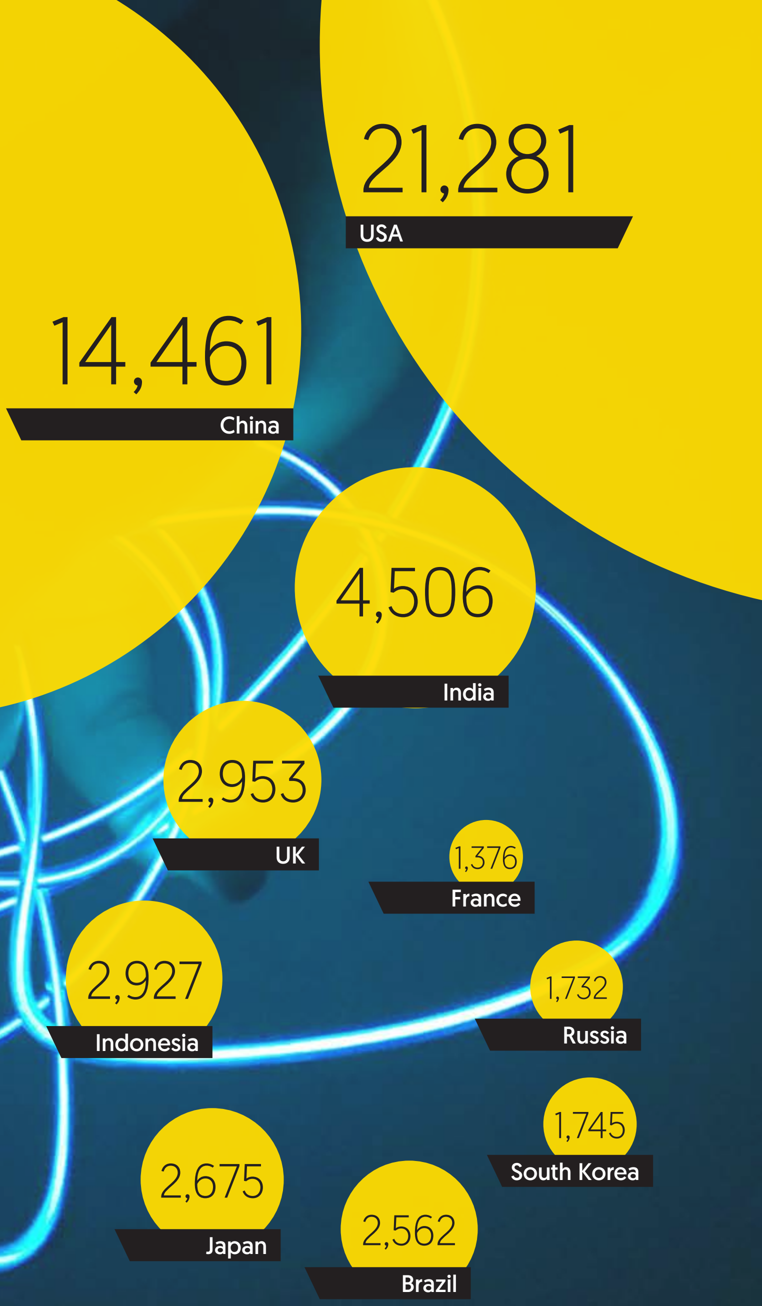
Ad expenditure (US$m)

2018	Rank	2021
USA 203,847	1	USA 225,128
China 86,574	2	China 101,035
Japan 42,512	3	Japan 45,187
UK 25,642	4	UK 28,595
Germany 23,189	5	Germany 24,547
Brazil 15,711	6	Brazil 18,273
South Korea 12,550	7	South Korea 14,295
France 12,398	8	India 14,234
Australia 12,342	9	France 13,774
Indonesia 9,757	10	Australia 13,505

Source: Zenith/IMF

Growth in ad dollars

(US$m 2018-2021)



Personal and targeted communication is driving ad growth

Online video and paid search are driving the growth in global adspend, as advertisers focus on personalised and targeted communications.

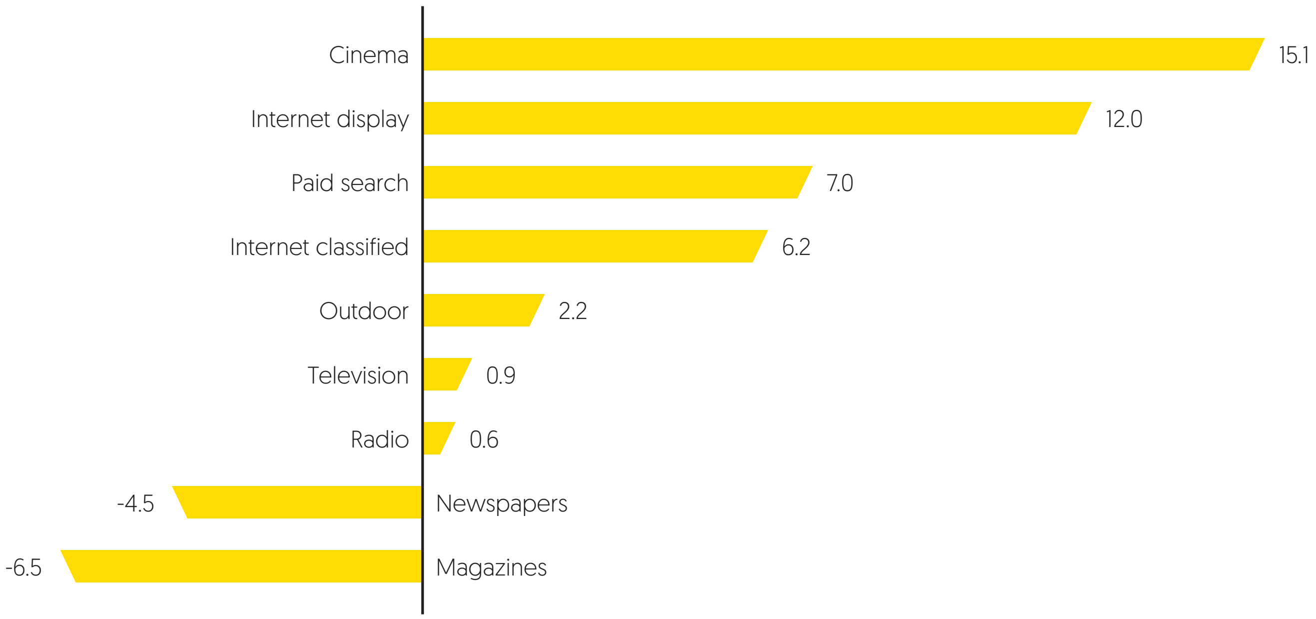
Advertisers are increasing both the efficiency and effectiveness of campaigns by using online video and paid search to target with pinpoint accuracy and serve personalised messages. We forecast that between 2018 and 2021, online video advertising will grow at an average of 18% a year, twice as fast as other forms of internet display advertising and well ahead of any other channel.

Paid search is not growing as quickly in percentage terms – it will grow at an average of 7% a year over this period – but in dollar terms it will contribute even more to global growth than online video. The application of AI techniques, better location targeting, integration with commerce and the rise of 'in the moment' search are all making search more effective for advertisers. We forecast that between 2018 and 2021, online video advertising will grow by US$20bn, while paid search will grow by US$22bn. Between them these two channels will account for 60% of the extra ad dollars added to the market over this time.

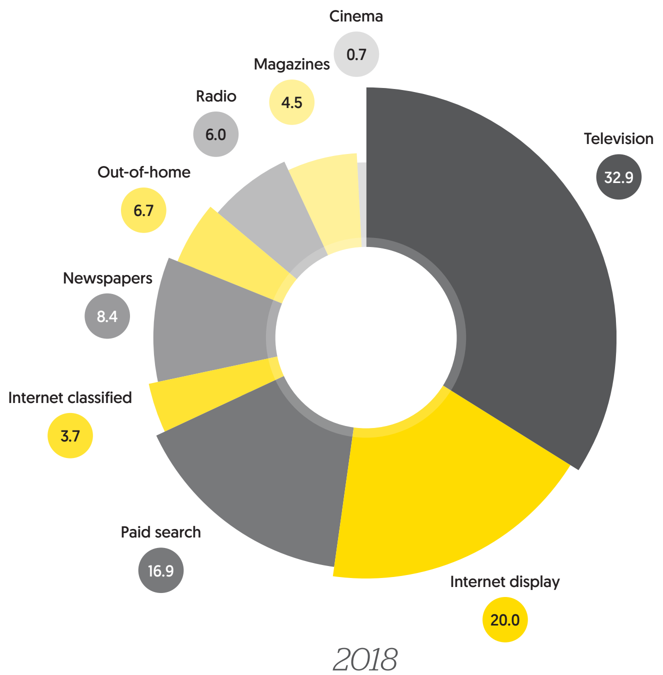
Advertisers commonly use online video together with traditional television, combining television's broad reach and immersive experience with online video's ability to target and optimise frequency. Taken together, these two media are becoming more important to advertisers' brand-building campaigns. Their combined share of adspend in 'display' media (i.e. all media except paid search and classified advertising) has risen from 46.2% in 2012 to 48.4% this year. By 2021 we expect television and video to have a combined 48.8% share of global 'display' – a higher share than television ever achieved on its own. Television and online video are working harder for advertisers than ever before.

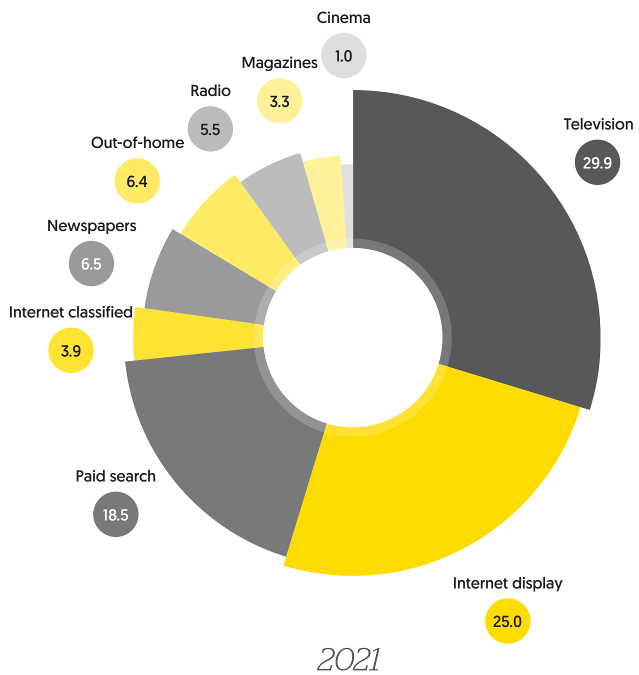
Print titles continue to lose market share as their readers continue to move to online versions of the print brands or other forms of information and entertainment entirely. We predict newspapers and magazines will shrink at average rates of 4% and 6% a year respectively to 2021. Newspapers will account for 6.5% of total adspend in 2021, down from 8.4% in 2018, while magazines will account for 3.3%, down from 4.5%. Note that our figures for newspapers and magazines include only advertising in printed editions of these publications, not on their websites, or in tablet editions or mobile apps, all of which are picked up in our internet category. The performance of print editions does not describe the overall performance of newspaper and magazine publishers

Average annual growth rate by medium 2018-2021 (%)



Share of global adspend by medium (%)





Adspend in Singapore

After several years of decline, Singapore's ad market is forecast to pick up speed over the next few years. The economy grew better than expected in 2017 due mostly to a strong showing in electronics. In this tech-smart market, it is digital spend that will drive the market forward.

Tracked advertising expenditure across print, TV, radio and selected out-of-home sites reached S$1.77 billion in 2017, a 17% decline year-on-year. A good performance by digital (estimated to have grown by 20%) helped to soften the impact. Total adspend declined by 11.6% to S$2.217 billion in 2017. 2018 full year ad spend is projected at S$2.072 billion, a 6.5% decrease overall.

Growth in digital dropped in 2018 as advertisers focused more on building internal digital and data infrastructure. Traditional internet advertising expenditure was also being diverted to content production and influencer engagement, which are not picked up in the expenditure figures. Privacy concerns and concerns over advertising on inappropriate content have led to reduced investments on Facebook and Google by key global advertisers.

Competition is intensifying in the digital video sector, as content providers like Netflix enter the market to challenge free-to-air provider Mediacorp and pay-TV providers Starhub and Singtel. The dilution of audience, especially younger tech-savvy viewers, is likely to lead to further pressure on TV's share of budgets.

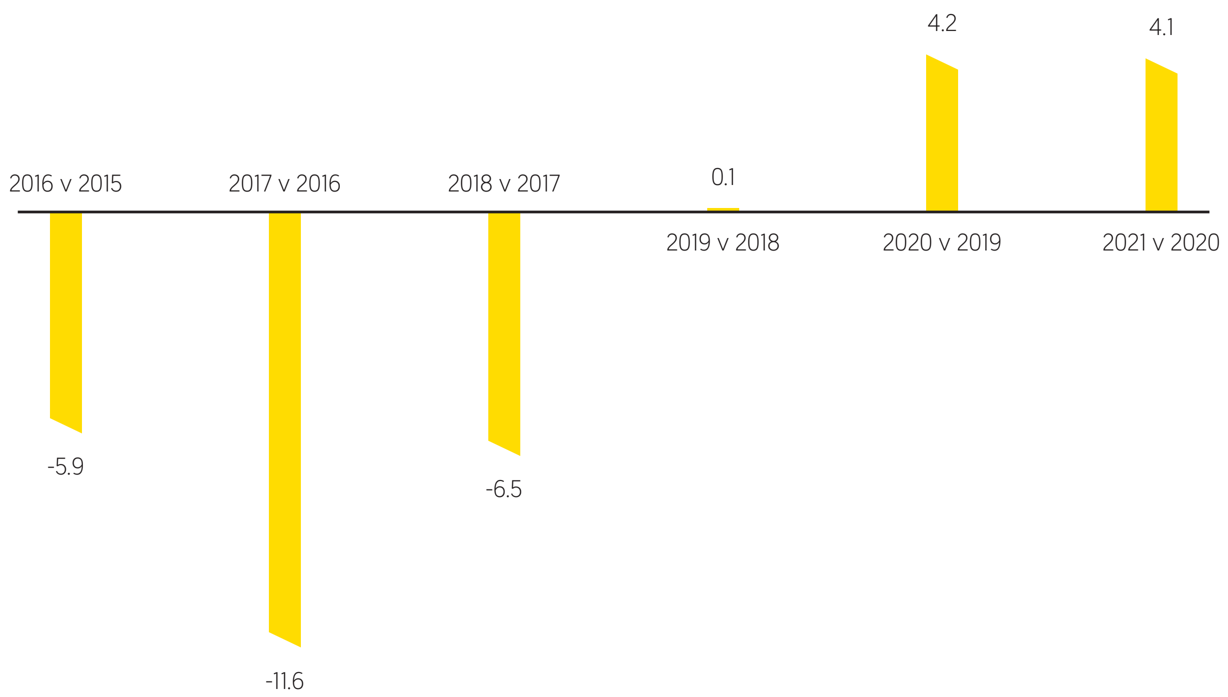
Analogue TV transmissions ceased in December 2018. While most households have transitioned to digital TV, and the government has plans to help the rest make the transition, there may be some disruption to TV viewing in early 2019. Another issue is the decision by StarHub – Singapore's largest pay-TV provider – to close down its cable service in July 2019.

With readership declining in print, advertising spend in newspapers and magazines will mirror this change in consumer habits. Singapore's largest print media owner - Singapore Press Holdings - announced another round of retrenchment in late 2017 as operating revenue for its core media business fell 13% during the year. Revenue from advertisements declined by 16.9%, while turnover from circulation dipped 5.1%. Meanwhile, *Today* newspaper has ceased its print edition to go fully digital, and *The New Paper* has become a five-day publication.

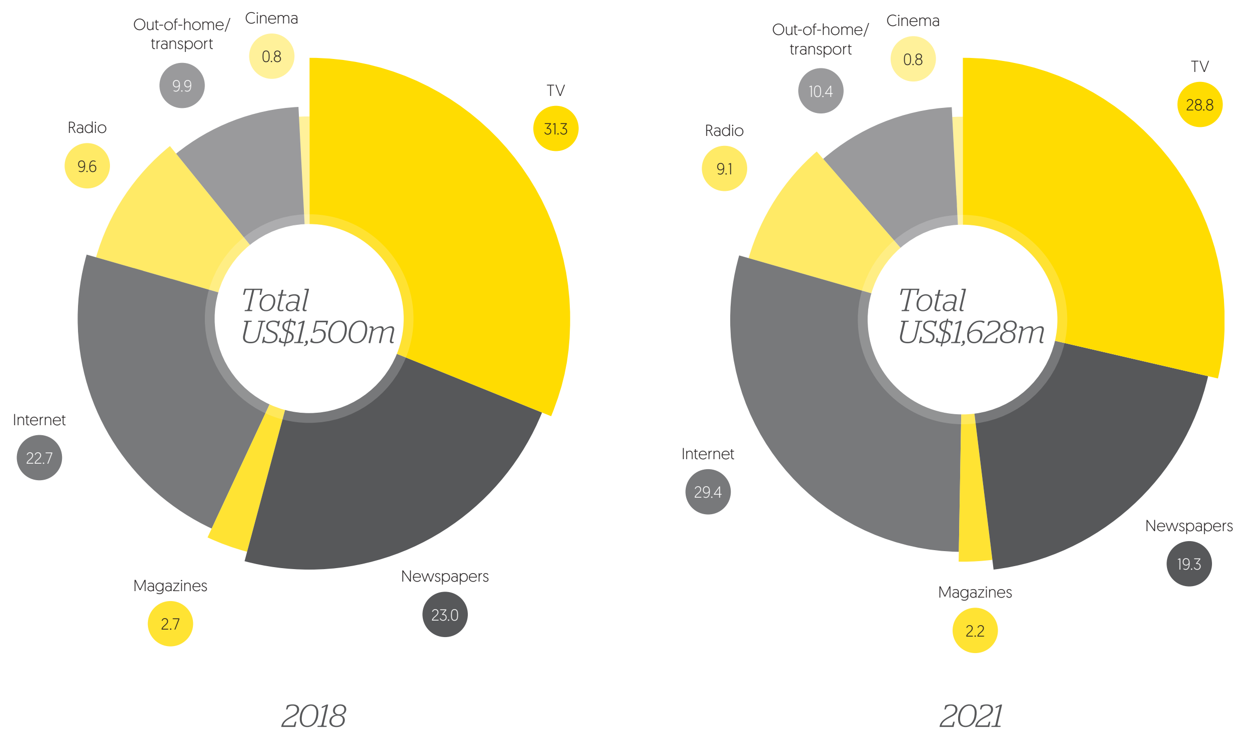
Two new radio licences have been issued to Singapore Press Holdings. Money FM 89.3 launched in January 2018, promising to be the first and only business and personal finance radio station.

Adspend in Singapore

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



Share of adspend by medium (%)



We need to rethink targeting

Marketing imperatives

- Modern marketing should appeal to forward-thinking individuals of all ages
- The young are no longer difficult to reach, and age is a poor proxy for sales potential
- Brand growth is about identifying the audience for that growth, appealing to their mind-set and winning at their point of change
- Appealing to disrupters is about targeting rebellious attitudes and mind-sets

Recently, marketing guru Gina Pell coined the term Perennials: people who are ever-blooming, live in the present time, know what's happening in the world, stay current with technology, and have friends of all ages. She argues that the days of targeting media and products at people based on their age is over. Perennials are not defined by their age, and marketers should take the same approach, eschewing age in favour of mind-set, behavioural change and disposable income.

Targeting

Advertisers used to focus on young people because they were hard to reach. They spent more time socialising outside the home, while older people stayed in with traditional media. Now, thanks to social media and smartphones, the young are much more likely to socialise remotely and consume media wherever they are, providing an abundance of youth media opportunities.

When you buy traditional broadcast media, you pay to reach a specific target audience, but you reach all the others exposed to the media as well. Ads targeted at young viewers therefore commonly reach large numbers of older viewers. But when you buy new addressable digital media, such as programmatic display and social, you reach only the audience you target and no one else. If you're only targeting the young this is a problem, because age is a poor proxy for sales conversion. This is why we need to target people whose behaviour is open to change instead.

Life stages

Once we get into a habit, it is hard to break. So the secret of brand growth is to win at the point of change. One of the biggest drivers of changes in behaviour is change in life-stage – moving from education to work, for example, or getting married. In the 20th century, the twenties were the defining decade of adulthood. Targeting twentysomethings made sense, because this was when people went through the most life-stages.

The 21st century has seen huge societal, cultural and technological shifts, forcing society to evolve from three life-stages (study-work-retirement) to multi-stage life and an unpredictable future. Longer lifespans challenge conventional life-stages – they make life a marathon, requiring careful pacing. So twentysomethings no longer have the monopoly on life-stage changes. People at every age face events that drive changes in brand behaviour. As we conduct more of our lives online, these change moments become easier to identify, predict and target.

Disposable income

Disposable income was what originally made young baby-boomers so attractive to advertisers – with steady jobs, little reason to save and no dependents or responsibilities, they were a marketer's dream. Today, teenagers are less likely to have paid employment, and more likely to study or take an unpaid internship. The housing market also works against the young on three levels: higher rents, smaller sizes of affordable accommodation and lengthening commutes to affordable areas.

Meanwhile, older consumers have much higher incomes and may have bought their home when house prices were a fraction of what they are today. Disposable incomes are rising much faster among boomers than millennials. This does not mean that we should be targeting baby boomers exclusively. In the world of addressable advertising we should be age-blind and target people with the income, brand inclination, time and space to enjoy the experience, irrespective of age, gender or any other outdated targeting label.

Attitude

Advertisers have historically targeted young people because they were the disrupters – the people who changed how we view brands and culture. But today, younger generations are becoming more conformist. Teenagers start drinking later and get drunk less often. Teenagers' use of tobacco, cannabis, inhalants and sedatives is also falling. Maybe as a result, they are also having less sex. Today, the young are conformists trying to beat the system rather than disrupters trying to break it.

It is widely believed that the most successful entrepreneurs are young, but research by The Harvard Business Review shows that the average age of the founders of the fastest-growing start-ups is 45. Separate research has found that the average top pop-star is 38, and the average blockbuster movie star is 45.

So the marketing industry needs to get over its obsession with youth. Young consumers are easy to reach, thanks to an abundance of youth media. Their appetite for new brands may be bigger, but the older consumer may have more lifetime value, so we should focus on winning at the point of change, not generation. The young have diminishing discretionary income so we need to focus on older consumers for growth. Finally, the young are not the source of disruption – we all are!

Digital Giants *Q4 2018*

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

facebook

+33% *ad revenues year on year*

92% *of ad revenues from mobile devices*

53.9% *Global reach (all internet users)*

US$410bn *Market cap*

Facebook now has 1.5 billion daily users, almost all of whom access it using mobile devices for some or all the time. It has 2.3 billion monthly users around the world. These figures increased by 9% and 10% respectively year on year in Q3 2018 as Facebook continued to recruit new users across the world, particularly in Asia-Pacific. For the second quarter in a row, Facebook experienced a quarter-on-quarter drop in daily active users in Europe – from 279 million to 278 million; the figure for the US & Canada was once again static (185 million). The company itself admits it seems to be hitting saturation point in developed markets.

During the third quarter and first nine months of 2018, the average price per ad increased by 7% and 19% respectively.

Google

+62% *paid clicks year on year*

-28% *cost per click year on year*

73.8% *Global reach (all internet users)*

US$752bn *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). Unlike Facebook, Google's revenue growth is driven by volumes rather than prices, with consistently large increases in clicks offset by lower prices.

Google continues to refine its ad offering; since December 2018, in a departure from the traditional model, display advertisers can in some circumstances elect to pay for conversions rather than per click. It has also made new call-to-action extensions available for video ads.

+29%
ad revenues year on year

+9%
daily active users year on year

7.7%
Global reach (all internet users)

US$24bn
Market cap

Twitter now has 326 million monthly users, representing a slight drop quarter on quarter coming from the US market, and a larger drop in international MAU (down to 259 million from 267 million). The number of daily active users increased by 9% year on year, so existing users are accessing Twitter more frequently.

Total US revenue was US$423m in Q3 (+28% year on year), while international revenue was up 30% year on year to US$335m. Japan is twitter's second-largest market, and grew an impressive 44% in terms of revenue between Q3 2017 and Q3 2018.

Video ad formats continue to account for more than half of ad revenue, with the Video Website Card increasingly becoming a favourite format for campaign launches.

+43%
ad revenues year on year

+5%
daily active users year on year

4.4%
Global reach (all internet users)

US$8.3bn
Market cap

Snapchat is owned by Snap Inc. and currently boasts a user base of over 186 million worldwide, up 8 million year on year. Average revenue per user rose by 37% to US$1.60 in Q3 (up from US$1.17 in Q3 2017).

However, the year on year user growth figure is misleading; Snapchat lost two million daily active users in Q3 on top of the three million who left in Q2, and further drops are expected. An ill-advised redesign also seemed to reduce user engagement, with just three billion snaps being created daily by users in Q3 2018 – down by half a billion from the year before.

Snap's products include Snap Ads and Sponsored Creative Tools such as Sponsored Lenses and Sponsored Geofilters, as well as measurement services.

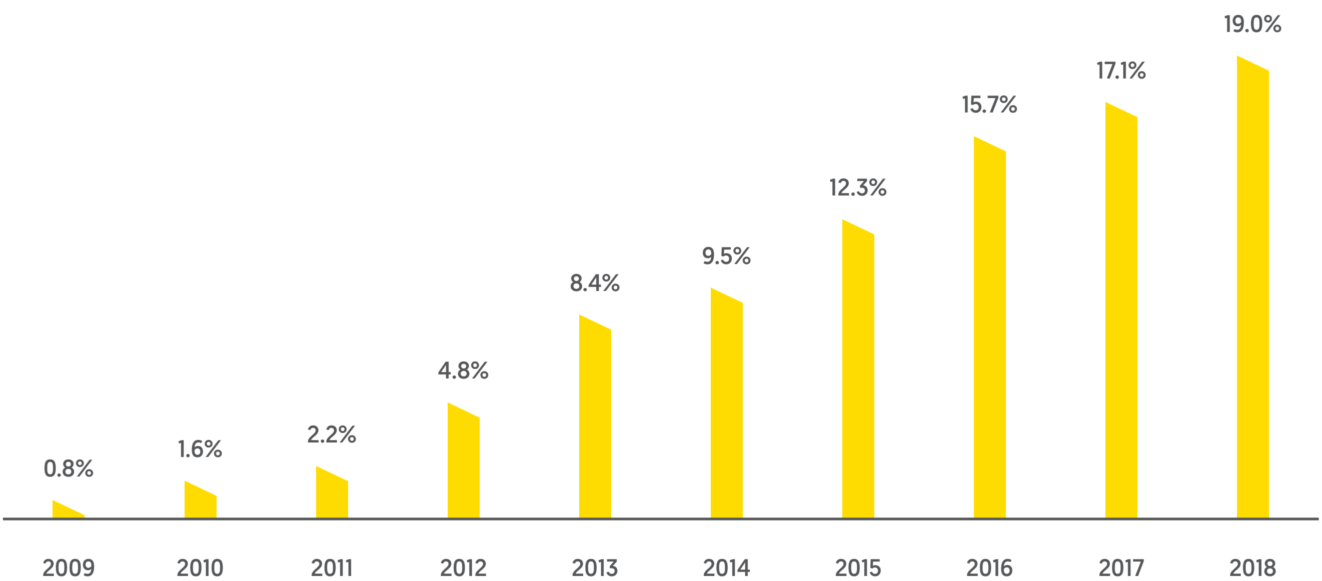
Brands are now embracing e-commerce ads globally

E-commerce advertising is well established in China, but is only just starting to get going globally. It has the potential to transform the way brands convert customers online, and provide a substantial boost to the global advertising market.

E-commerce advertising – that is, advertising that sits alongside and within search results and product listings on e-commerce sites – allows brands to communicate with consumers who are actively shopping online. It can act like an in-store display in a bricks-and-mortar store, raising awareness at the point of purchase, or more like a paid search ad, pushing the brand towards the top of the list when the customer searches for a particular type of product.

E-commerce advertising has proved wildly successful in China, where companies like Alibaba – now worth more than US$400bn – have made it the basis of their business model. Over the last ten years, e-commerce advertising in China has grown in value from essentially nothing to US$16.4bn in 2018 – that's 19% of China's entire advertising market, more than the amount spent on newspaper, magazine, radio, cinema and out-of-home advertising combined. It has rapidly found favour with advertisers eager to connect to consumers at the moment of purchase, from small local businesses to the biggest international brands.

E-commerce advertising: share of total adspend in China



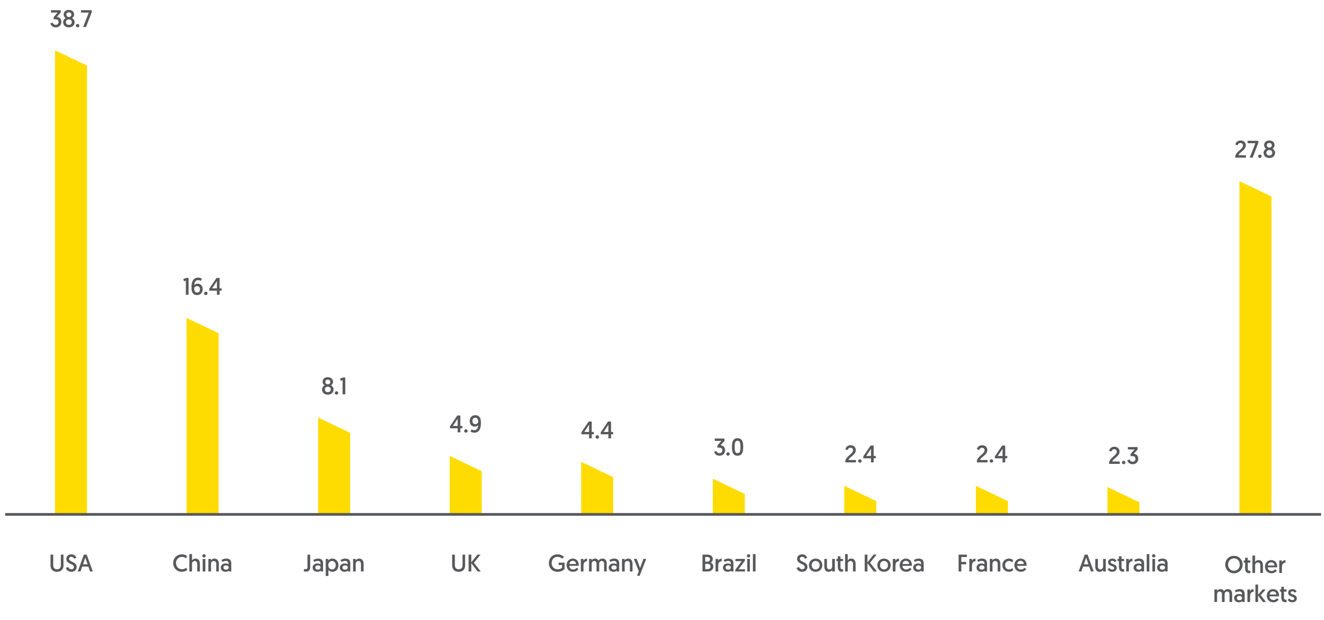
Source: Zenith

Until recently, e-commerce platforms outside China have largely focused on direct sales to consumers at the expense of advertising, but that is now changing. Amazon generated nearly US$5bn in advertising revenue in 2017, up from US$3bn in 2016. In Q3 2018 alone, Amazon's ad revenues grew by 122% year on year to reach US$2.5bn, and they are on track to reach about US$10bn for 2018 as a whole. Other shopping platforms are following suit by investing in their own advertising activities. (Note that these figures slightly overstate the size of Amazon's ad revenues. Amazon only reports its ad revenues as part of an 'Other revenue' total, which also includes certain other items such as co-branded credit cards, but these are pretty minor in comparison to its ad business.)

Globally, e-commerce advertising is about as advanced as it was in China at the end of the last decade. Amazon accounted for 0.8% of global adspend in 2017, the same proportion that Chinese e-commerce occupied in 2009. If e-commerce follows a similar path globally to the one it followed in China, it could account for 19% of global adspend by 2027. That's equivalent to US$110bn in today's ad market, representing a huge revenue opportunity for the platforms, and a whole new way for brands to reach customers at the point of purchase.

E-commerce advertising has the potential to substantially boost advertising market as a whole. It is typically spent by brands' commercial teams, which negotiate terms like shelf-space and prominence with retailers, rather than their marketing teams, which normally deal with a brand's advertising activities. It is therefore new money to advertising, and should expand the market without cannibalising money spent elsewhere. This does create a challenge to an advertiser's organisational structure, though. To make the most of its e-commerce advertising, an advertiser needs to be able to combine the relevant expertise of both its commercial and marketing teams.

The e-commerce opportunity: what 19% of total adspend was worth in 2018 (US$bn)



Source: Zenith

Brands need to make the most of retailer media

Marketing imperatives

- Don't rely solely on Amazon – competition here will only get more intense
- Make sure you have a clear understanding of your current 'media' investment with each retailer, from both marketing and commercial arrangements, and the value you receive
- Consider co-op search campaigns during key category moments
- Develop testing scenarios to measure incremental sales from joint initiatives

Amazon is rapidly developing its advertising services, forcing brands to reconsider how they budget for e-commerce. It offers several ways for brands to promote themselves on its platform, such as display ads and sponsored products in search results. Since 86% of visits to product pages come from search, sponsored products are currently the best way to attract the attention of Amazon shoppers. According to Jumpshot, only 7% of clicks were on sponsored products in May 2018, but that was up from 5% in January, and the number of clicks on sponsored products increased by 17% over this period. Brands are rapidly increasing their spend as competition for the most prominent positions heats up: 20% of all clicks come from the top row of results.

These Amazon services are typically more transparent and appealing than the media deals typically included in agreements between brands and retailers. Amazon is forcing retailers to up their media game, by improving their transparency, reporting and innovation. For retailers, forging stronger partnerships with brands offers the opportunity to accelerate their e-commerce businesses. For brands, it offers new ways to reach customers while they are in the process of purchase and drive new sales. To make the most of these partnerships, brands need to align their marketing and sales teams to clarify their data requirements, integrate marketing campaigns in commercial agreements, and track activity through to sale on retailer platforms.

Here are a few examples of how brands and retailers can work together to drive growth.

Use retailer CRM

Most retailers have robust customer databases that can be used to personalise messaging to customers. When retailers offer to include a brand in an email, for example, you could make sure that email is sent to loyal customers of that brand, or those with a propensity to buy that category.

Integrate with retailer advertising

Retailers spend a lot of money on their own advertising, especially during key shopping periods such as Christmas or Valentine's Day. Instead of competing with them, make use of their elevated visibility by incorporating your products in their creative, and ensure you have high visibility on their category pages. Experiment – you could jointly invest in shoppable ads and test their performance together, for example.

Amplify paid search through co-operative investment

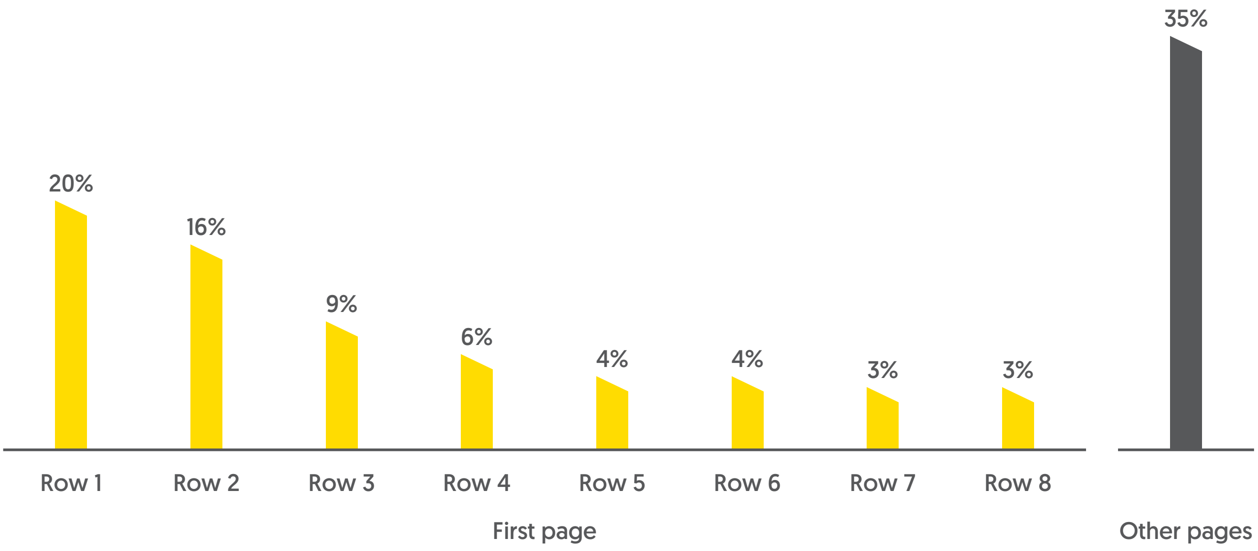
Retailers dominate paid search. Make your paid search investment work harder by conducting joint search campaigns with retailers, to ensure your product has high visibility, drive category growth and boost your presence within shopping results.

Begin traffic-driving initiatives

Add Buy Now or Where to Buy functionality to your brand website and your paid media activity. Direct customers to your product pages they are most likely to buy from, and consider this when negotiating your commercial agreement. For example, agree to direct a proportion of your own traffic to a retailer in return for data. The higher the traffic to your product, the more likely you are to be included in their retargeting initiatives.

Amazon search result placement is vital for product views

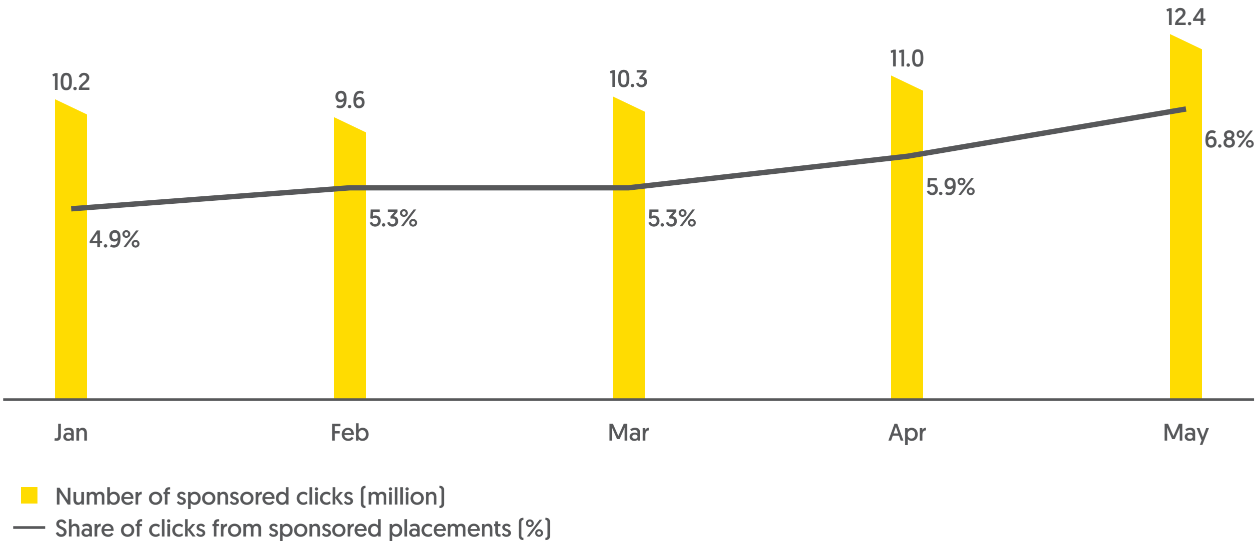
Share of product views by Amazon search page results



Source: Jumpshot

Amazon is increasing focus on sponsored ads (2018)

Amazon product views from sponsored placements



Source: Jumpshot

In focus: Automotive

Marketing imperatives

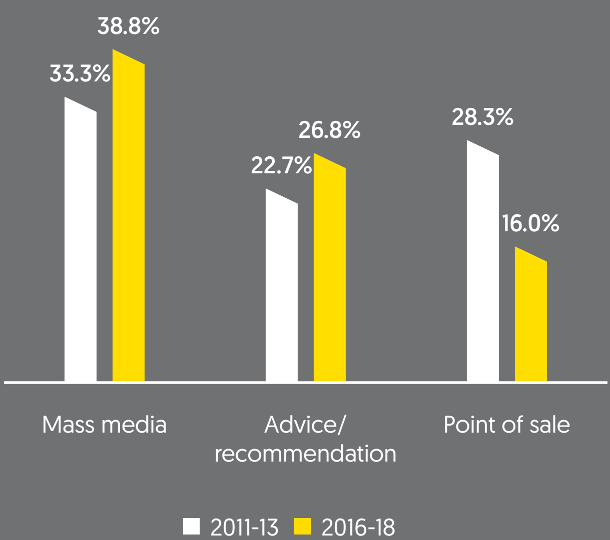
- For auto brands, television is still the most important medium for paid advertising, particularly because new car buyers are heavy viewers
- Most consideration now takes place online, so brands need to concentrate their attention here where it can make the most difference
- Search, social and video ads are highly effective and becoming even more so

The automotive industry is one of the biggest spenders on advertising. Five of the world's twenty biggest advertisers are automotive brands, according to *Advertising Age*, spending a total of US$22bn a year between them. Like other industries, the automotive industry is having to respond to changes in the way consumers encounter, choose between and shop for brands, which have been brought about by new technology.

In particular, people who are shopping for cars are more likely to spend time researching cars independently – largely online – and seeking other people's opinions, before trying any cars out in person. The number of times that people visit dealers before making their purchase has dropped steadily over time, and in many cases the buyer has made up their mind before making a single visit to a dealership to make the purchase.

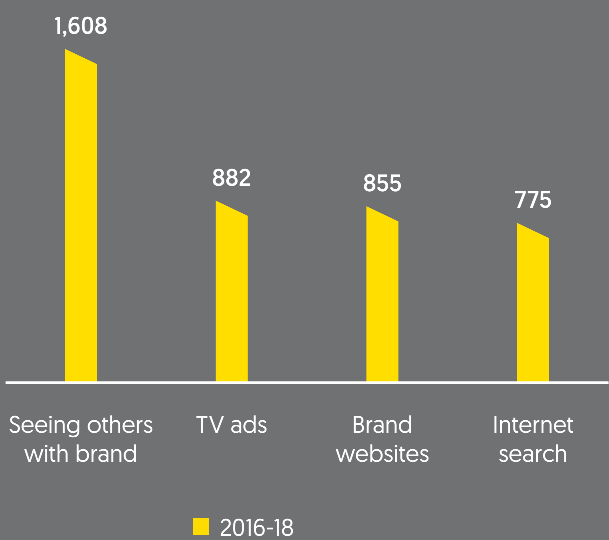
We use our Touchpoints ROI Tracker tool to monitor trends in brand communication over the full range of paid, owned and earned touchpoints. One of its outputs is Brand Experience, which measures the reported importance of each touchpoint in shaping consumer attitudes and influencing consumer behaviour. As the chart below shows, the importance of point-of-sale touchpoints has fallen by nearly half over the last five years, while the importance of mass media and advice/ recommendation has increased markedly.

Share of brand experience



Source: Touchpoints ROI Tracker, January 2019

Average brand experience



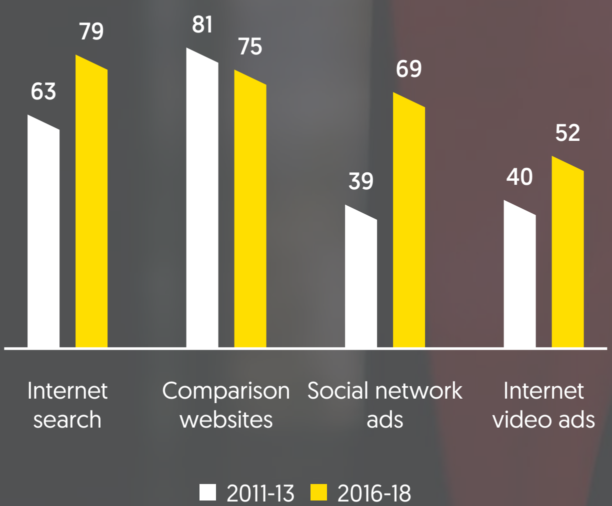
Source: Touchpoints ROI Tracker, January 2019

The single biggest contributor to consumers' experience of car brands is seeing other cars on the road. Market share is therefore to an extent self-reinforcing. But the second-biggest is television ads, hence the heavy investment by most brands in high-quality television campaigns. It's true that audiences are shifting from traditional, scheduled television to various forms of online video, but this has been most pronounced among younger audiences. The target audience for new car sales skews older – even for lower-end brands, new car buyers are typically over 45 – and for these audiences television retains most of its reach.

The third and fourth-most important touchpoints for shaping consumers' experience of brands are online touchpoints. Like all categories, the automotive industry has experienced a large-scale shift of brand experience from offline to online touchpoints, but here the shift has been particularly rapid. The online share of brand experience has essentially doubled, to reach 40%, in just five years. Online touchpoints now make up the bulk of the consideration phase of the path to purchase, as consumers investigate brands, seek out expert opinions and scan reviews from other consumers. Brands are therefore shifting their paid media budgets online, to influence consumers where they are most receptive.

Our Touchpoints ROI Tracker also measures the influence of individual touchpoints – i.e. how likely they are to change consumers' beliefs and behaviours. Internet search, comparison websites, social network ads and internet video ads are the most influential paid online touchpoints. All but comparison websites have become substantially more influential over the last five years, particularly social network ads. As well as using social networks for brand awareness ads, brands are also using them to amplify positive reviews by experts and consumers, and to promote test drives, one of the most effective routes to securing the final sale. Brands are also experimenting with new technology like Augmented Reality showrooms to give consumers a better experience of the cars on offer, though these are as yet minor contributors to brand experience.

Average influence of the top paid online touchpoints



Source: Touchpoints ROI Tracker, January 2019

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 1,190 Touchpoints projects have been completed across 69 countries, comprising 1,045,083 consumer interviews that provide contact point metrics for 15,958 brands in 341 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 301 touchpoints.

In focus: Automotive

Marketing imperatives

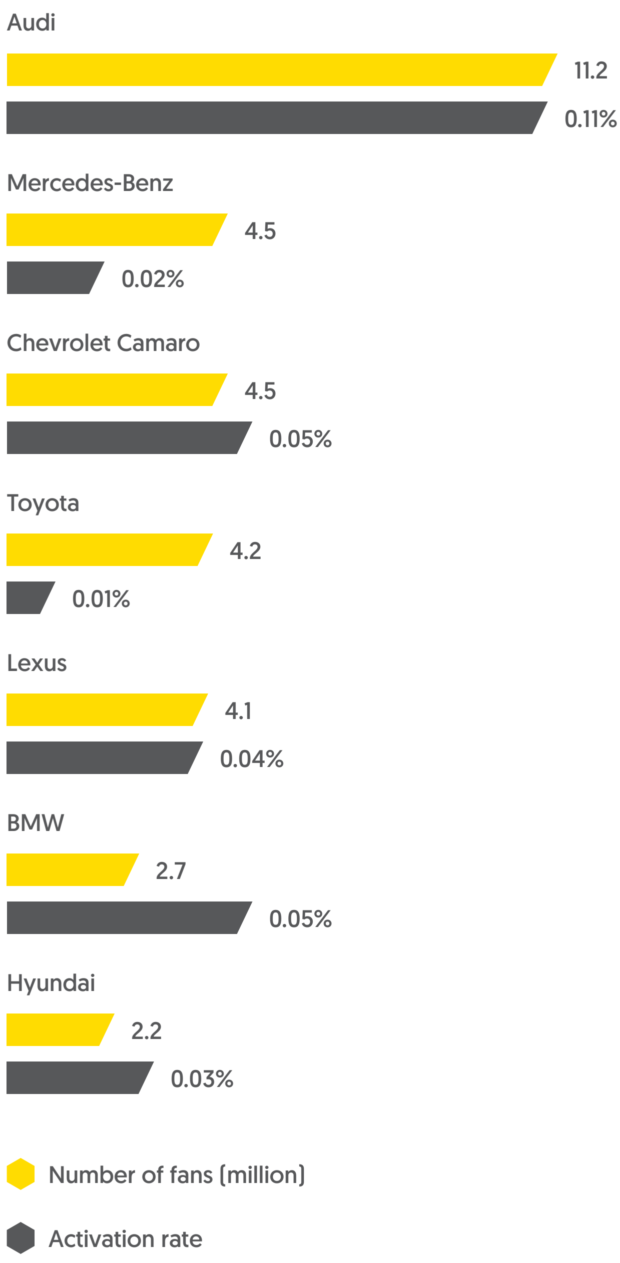
- Brands using Facebook need to invest in promoted posts to ensure their posts are seen, and have the best chance of engaging their fans
- Instagram is a great way for auto brands to reach aspirational young consumers, but investment here is for the long term, and may not pay off for years

Facebook is still the biggest social platform for most auto brands, at least in terms of the number of fans. Over time, though, it has become harder to use Facebook to engage fans with brand messages. Increased competition for users' attention, and changes to the news feed algorithm, mean that brand posts may not even be seen by most fans, and those who do see them are likely to scroll past them without reacting to them.

The chart on the right shows some of the top auto brands on Facebook in the US and demonstrates the wide variation in 'activation rate' between these brands. The activation rate refers to the proportion of fans who react in some way to post on the brand page, whether by commenting on it, sharing it, or by clicking on 'like' or some other reaction. The first thing to notice is that activation rates are extremely low. Even Audi, the best-performing brand, manages to provoke a reaction from just 0.1% of fans per post. The second is that activation rates vary widely – even among this small sample, by an order of magnitude.

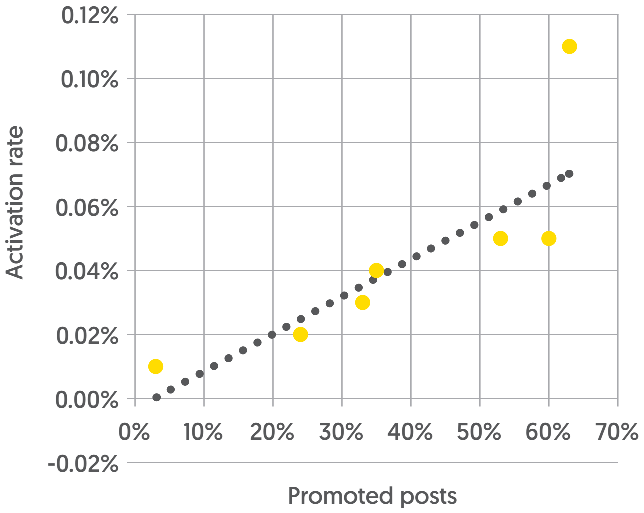
One of the biggest barriers to provoking a fan reaction is reaching that fan in the first place. Now that organic reach has become an uncertain route to exposure, paying for reach by using promoted posts can substantially boost the signal. Socialtools uses machine learning to identify which posts are likely to have been promoted, and which are likely to be organic. We find there is a clear connection between use of promoted posts and activation rate. Among these seven top brands, Audi had both the highest activation rate and the highest share of promoted posts (63% of all posts), while Toyota had the opposite – the lowest activation rate and least promoted posts (just 3%). Auto brands that actively invest in their reach on Facebook are the ones that cut through the noise most effectively.

Selected US auto brands on Facebook (December 2018)



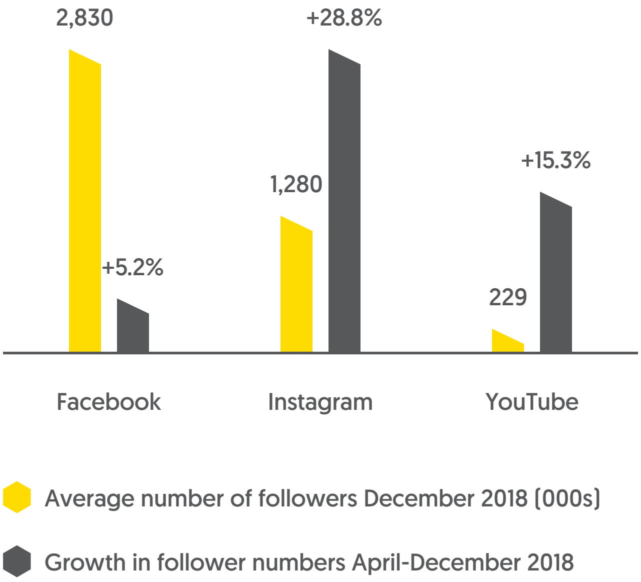
Source: Socialtools, January 2019

US auto brands drive activation rate with promoted posts (December 2018)



Source: Socialtools, January 2019

Selected US auto brand followers on social platforms*



Source: Socialtools, January 2019

**BMW, Hyundai, Subaru, Toyota*

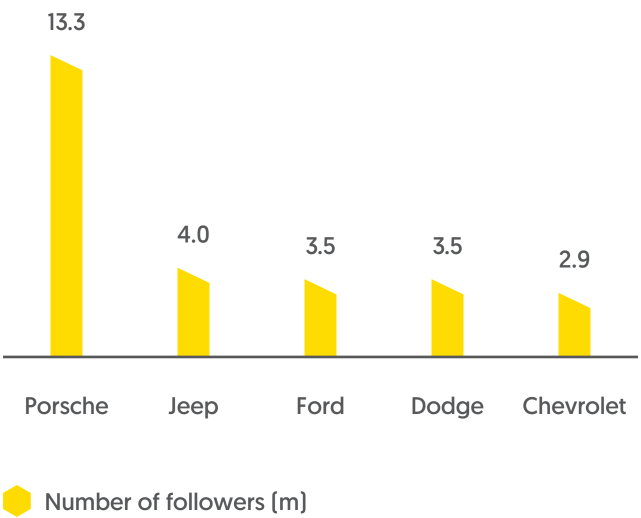
For most auto brands, Facebook is still their biggest source of social followers, but other platforms are growing much more quickly. Between April and December 2018, four representative brands increased the number of their YouTube subscribers three times faster than their Facebook fans, while their Instagram followers grew nearly five times faster. They still had less than half as many Instagram followers than Facebook fans in December, but the gap is narrowing quickly.

Brands typically use Instagram to reach young people, laying the ground for a purchase that may lie years in the future. Instagram is a much more aspirational platform than Facebook and YouTube, and many users are more likely to follow their dream car brand than the one they're likely to buy next – which is why Porsche has about as many followers on Instagram as the next four brands put together.

SOCIALTOOLS

Socialtools is Zenith's proprietary social content performance tracking tool. Socialtools is currently tracking the daily performance of 185,000 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 195 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 21 macro categories and 135 categories.

Top five auto brands on Instagram (December 2018)



Source: Socialtools, January 2019

Shoppable content: the future of branded video

Brands' investment in original digital video has nearly doubled over the last three years, and this growth will continue. What began this decade as a US$730m marketplace is now projected to grow to US$26bn by 2021. Branded content has evolved to re-shape the balance of power in digital marketing, but has a critical vulnerability: measurement.

Effective branded content offers advertisers an opportunity to engage with consumers in a uniquely intimate way, incentivising brands to build ongoing relationships with audiences who may make a purchase in the future. But it lacks any unified measurement standard that effectively ties product sales back to content investment. In fact, a 2018 IAB survey found that 34% of brand marketers consider 'ROI vs. Other Media' to be the single biggest obstacle to spending more in original digital video.

The early iterations of digital branded content were measured by clicks back to an advertiser URL. By the middle of the decade, when digital publishers embraced the model of distributing content across social platforms, success in branded video meant racking up as many views as possible. Now, when content views have become commoditised, measurement has shifted to engagement: completion rate, shares, comments, etc. The exact definition of engagement differs from publisher to publisher, exacerbating the complexity produced by competing third-party research and brand lift studies.

To cut through this mess, the industry needs to develop a consistent, intuitive framework that simply makes sense to marketers, and draws a direct link between content and commerce.

Shoppable content – which allows consumers to purchase products and services directly from content – has great potential to connect the dots between a brand's investment in content and its return on that investment. While the idea of shoppable content is hardly new, media companies have only recently unveiled scalable and semi-automated capabilities that allow brands to drive product sales from within their content.

The primary appeal of shoppable content lies in its ability to satisfy the instant desire to purchase that content arouses in its audience, creating a streamlined and simplified purchase funnel. When consumers are able to make purchases seamlessly and impulsively, brands will quickly reap the benefits. Shoppable content also provides a clear and conclusive link between investment in content and sales.

To make shoppable content work for them, brands need to offer a clear and surprising benefit to consumers, enough to make them want to buy the brand at once, perhaps by solving a tangible life problem or saving time. They also need to be the sort of product or service that consumers are comfortable buying at once, without further consideration – cars probably wouldn't work too well, for example. Brands that add utility or efficiency to consumers' lives and can be bought on impulse should be the early movers in shoppable content.

Shoppable content promises to fulfil marketers' two main objectives at the same time: building brands and driving sales, in a direct and measurable way.

Marketing imperatives

- Use shoppable content to turn your owned content into a direct sales channel
- Focus on brands that offer an immediate benefit to consumers, one they are happy to pay for on impulse
- Use the subsequent return-on-investment data to optimise your content strategy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SEXUAL FANTASIES

Adding value with visual, voice and video search

The three Vs – visual, voice, video – are all helping to drive growth in brands' search investments in a powerful way in 2019 and beyond. They are being deployed to smooth the path to purchase across the journey, from discovery and consideration to purchase.

The rise of visual search

Visual search isn't new, but is reaching a turning point with consumers. Visual search capabilities are now dovetailing with search engines and social media platforms frequented by younger customers, who rely on imagery and are gaining more disposable income.

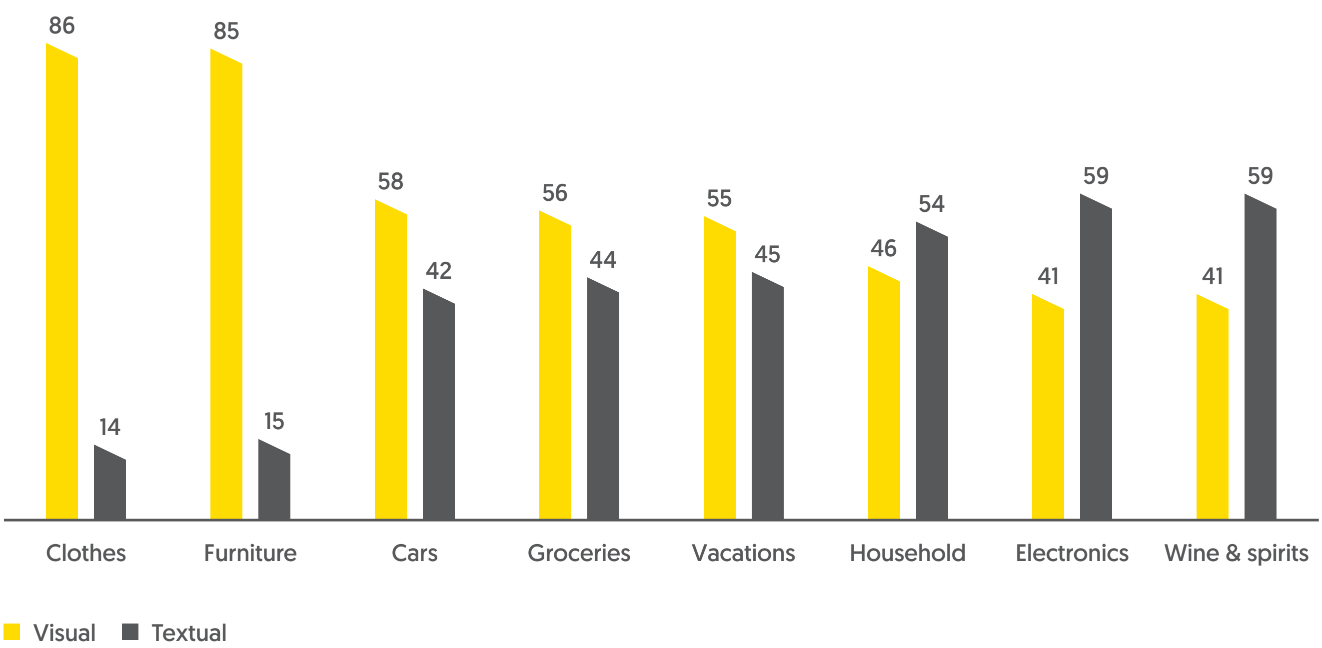
The Intent Lab, a research partnership between Performics and Northwestern University, found that 36% of consumers have conducted a visual search. 59% of consumers think that visual information is more important than textual information, across all categories. Respondents were most reliant on visual information in the clothing and furniture categories.

Annual growth in paid-search adspend

11%	7%	7%	7%
2018	2019	2020	2021

This research reveals that shoppers want visual content to aid decision-making across the consumer journey, especially when they're close to purchase. This visual content must align with consumer mind-sets at the relevant moments in the shopping journey.

Importance of visual and textual information by category (% of consumers)



Source: The Intent Lab, Q4 2018. N=1000.

Performics

Voice search ranks among the most important future digital strategies

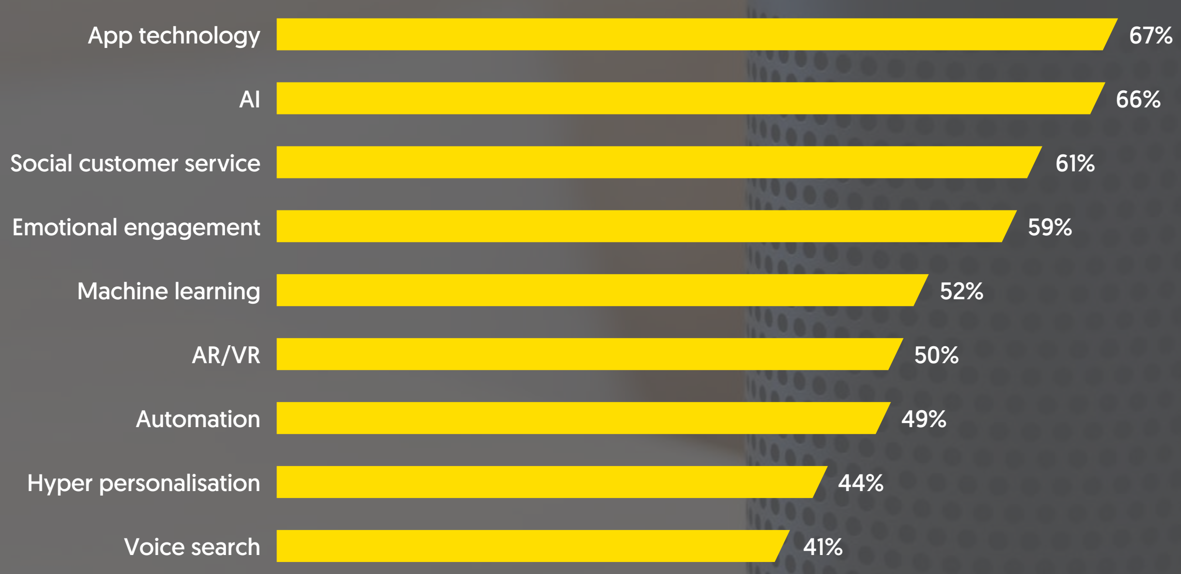
According to a recent Digital Marketing Institute (DMI) survey of senior worldwide marketing professionals, 41% believe that voice search will be "most important" for their company's overall digital strategy by 2020. While voice search trails in importance compared to strategies like machine learning, AR/VR and hyper personalisation, it's still top-of-mind as brands prepare for that moment when a critical mass of people start buying things by voice on their smart speakers or smartphones.

Research from the Intent Lab conducted in Q4 2018 found that shoppers are most interested in buying household items (19%), meals (15%), and groceries (13%) through voice.

Video search results aid consumers in the shopping journey

Video clearly influences consumers' cognitive processes while they're discovering and considering products and services to buy, making it an opportunity for brands to create excitement and curiosity for consumers, especially earlier in the decision journey. According to the Intent Lab's Q4 2018 research, video was 1.2 times more effective than text for consumers with a browsing goal.

Technologies that senior marketers believe will be most important for their digital marketing strategy by 2020 (% of respondents, August 2018)



Source: Digital Marketing Institute, "20/20 Vision: A Marketing Leader's View of Digital's Future"

What CES 2019 means for brands

Marketing imperatives

- Don't just give consumers more choice, give them tools to help them make better choices
- Now is the time to invest in Augmented Reality experiences
- Your brand identity needs to work in all new digital environments

This year's CES was another extravaganza of innovation, with exhibits ranging from rollable TV sets to walking cars. Most of the commentary on the show focuses on exciting new technology and what it offers to consumers, but we decided to take a look at the practical implications for brands.

There were close to 70,000 exhibitors in Las Vegas this year, showing off a huge variety of products and services. But the big theme we noticed was how the acceleration of data connections – particularly the forthcoming 5G revolution – is making internet connections and sharing of data central to the operation of everyday objects, such as household appliances and cars,

5G is the next big upgrade to data connections, which will make connected devices much faster and able to handle much more data across many more devices, all with near-instant responsiveness. It will make existing data services better, and will open up new possibilities. The truly revolutionary products of 5G have probably not yet been imagined, but we can expect transformation in the way businesses interact with suppliers, employees and customers; new ways of shopping; and more applications for artificial intelligence. Above all, 5G will mean vastly more data is generated, transmitted and processed.

This proliferation of digital media and data-enabled services is leaving consumers tired, distracted and overwhelmed by choice. Rather than exacerbating this problem by simply creating new content and launching new services, brands should seek to understand consumers' lives and help them navigate their choices by providing recommendations that will make their lives better.

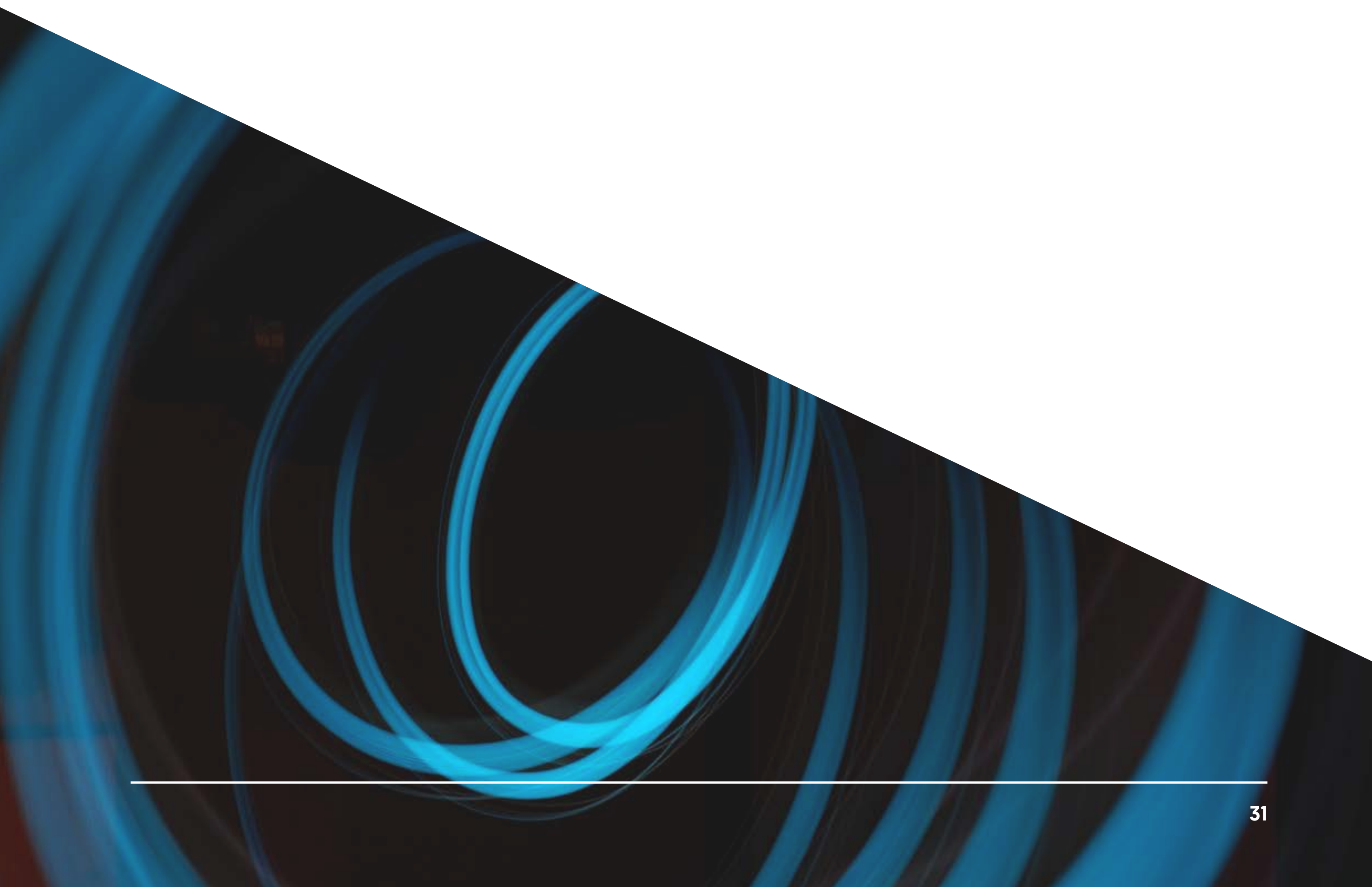
The new centrality of data to everyday life leads to inevitable questions about privacy and security. Brands need a transparent approach to how they're using data and ensure a clear value exchange. Consumers need to feel they're receiving something tangible in exchange for sharing their information. Allstate's 'Digital Footprint' is a good example.

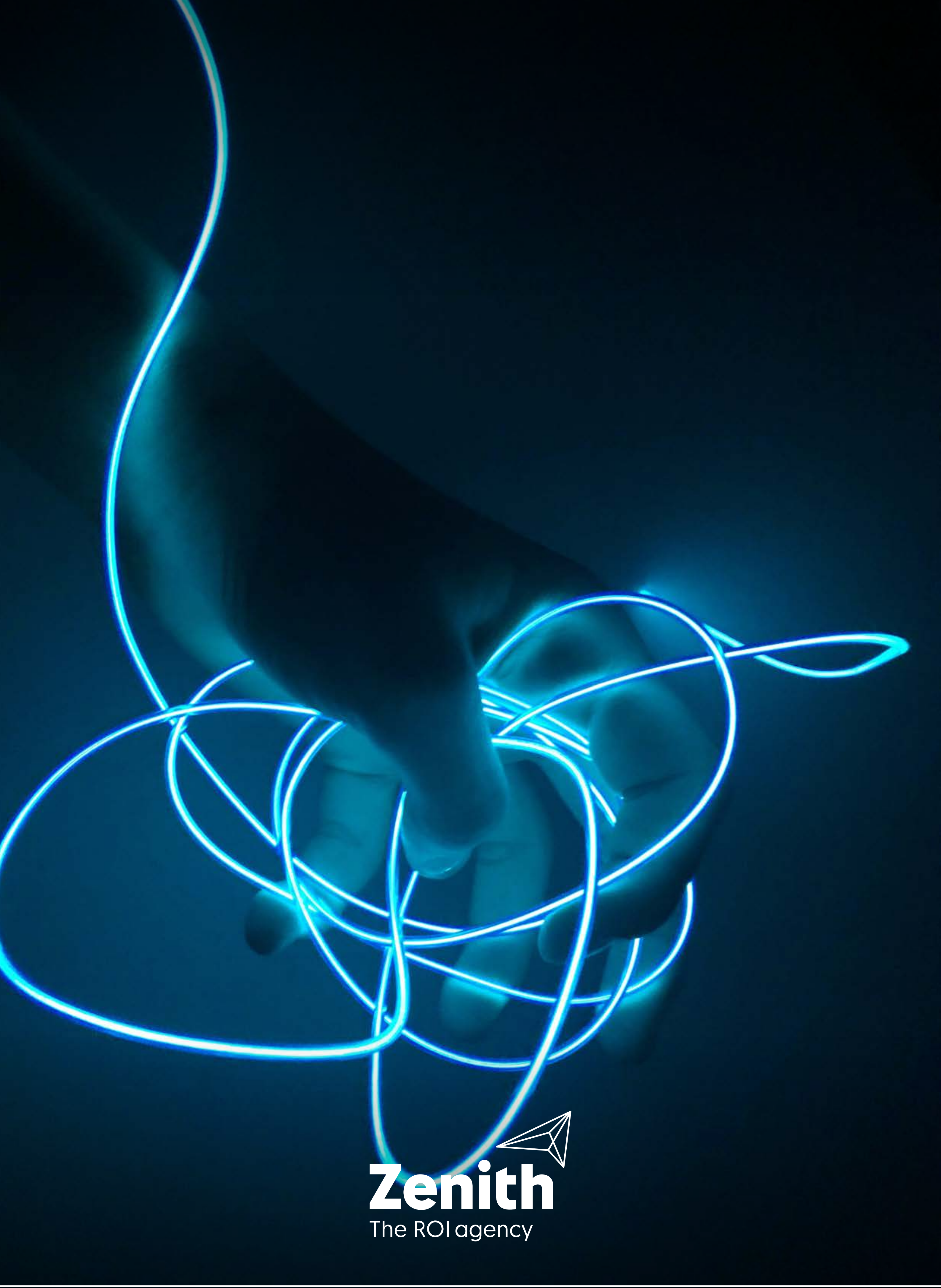
CES also showed that Augmented Reality (AR) holds immediate promise as a tool for brands to add utility and delight to customer interactions, with several exhibitors displaying AR applications that work right now, such as Hyundai's driver navigation, Lumus's smart glasses and the Connected Garden. Brands should consider how they can use AR technology to bring the digital world and the real world together, whether to provide information, entertainment or new brand experiences.

Mastercard unveiled a new wordless logo that will help it adapt to new digital environments. The move is indicative of today's challenges for brands — from smaller smartwatch and smartphone screens to voice-based smart home assistants to AR and VR, brands need to project a consistent and instantly recognisable identity. It has never been more evident that when building your brand identity you must be digital first and consider not just today's platforms, but emerging environments too.

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 client's businesses. Zenith is part of Publicis Media, one of four solution hubs within Publicis Groupe. We have over 6,000 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 Coty, Electrolux, Essity, Kering, Lactalis, Luxottica, Nestlé, Nomad Foods, Oracle, Perrigo, RB, and 21st Century Fox.

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