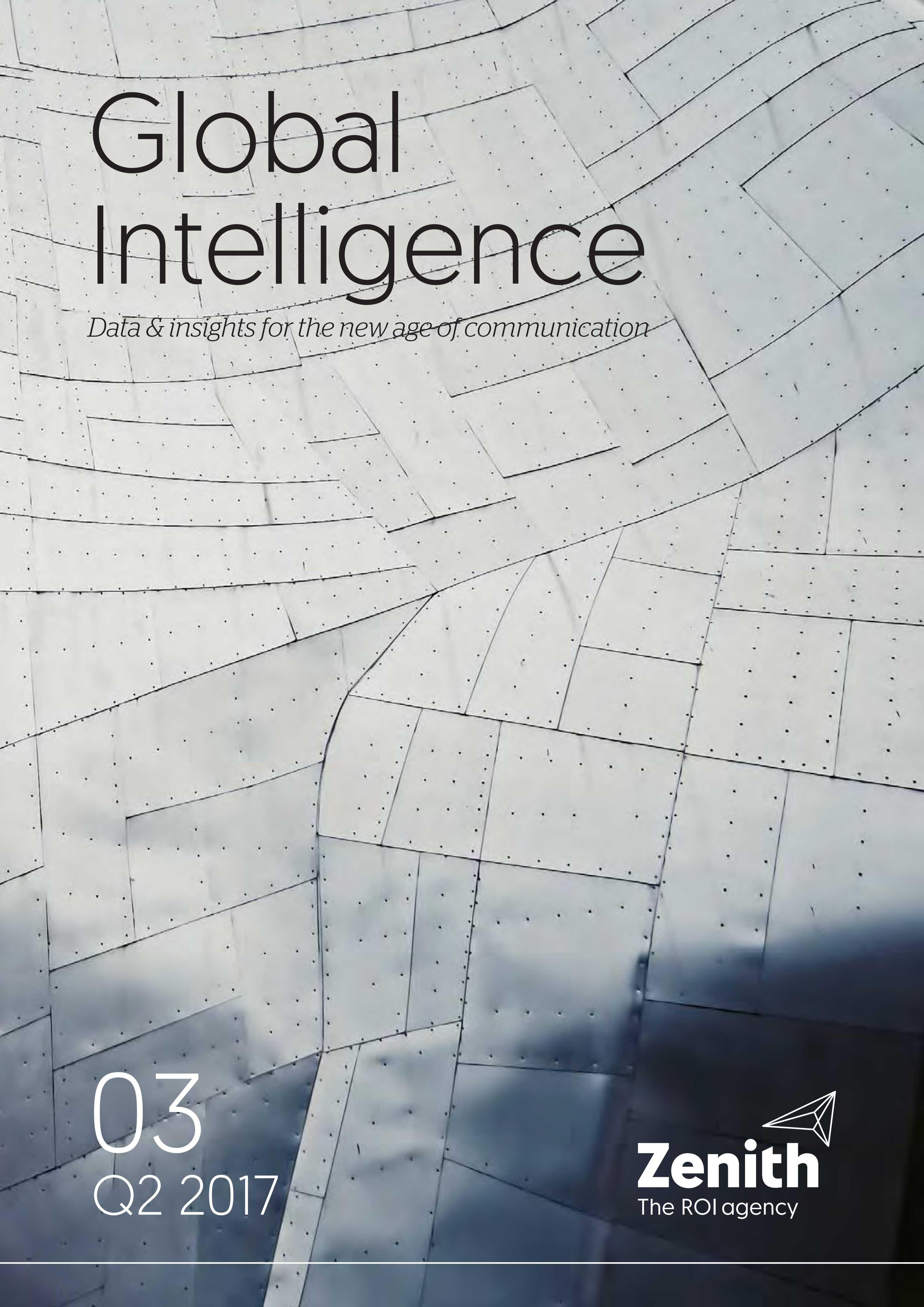


# Global Intelligence

*Data & insights for the new age of communication*

03
Q2 2017

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

# Focus on brand growth

Welcome to the third edition of *Global Intelligence*. We have taken some time to redesign the magazine to fit in with the new Zenith branding; we hope you like the new look!

The new Zenith branding accompanied the launch of our new global proposition and client approach in May. Zenith is known all around the world as The ROI agency, and our new proposition supports our vision of the 'new ROI': Zenith blends data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow businesses for clients. This proposition is underpinned by a new approach to solving client challenges and delivering business growth. Called ROI+, it has three key areas of client focus: Upstream Strategy, Owning the Consumer Journey and Downstream Automation.

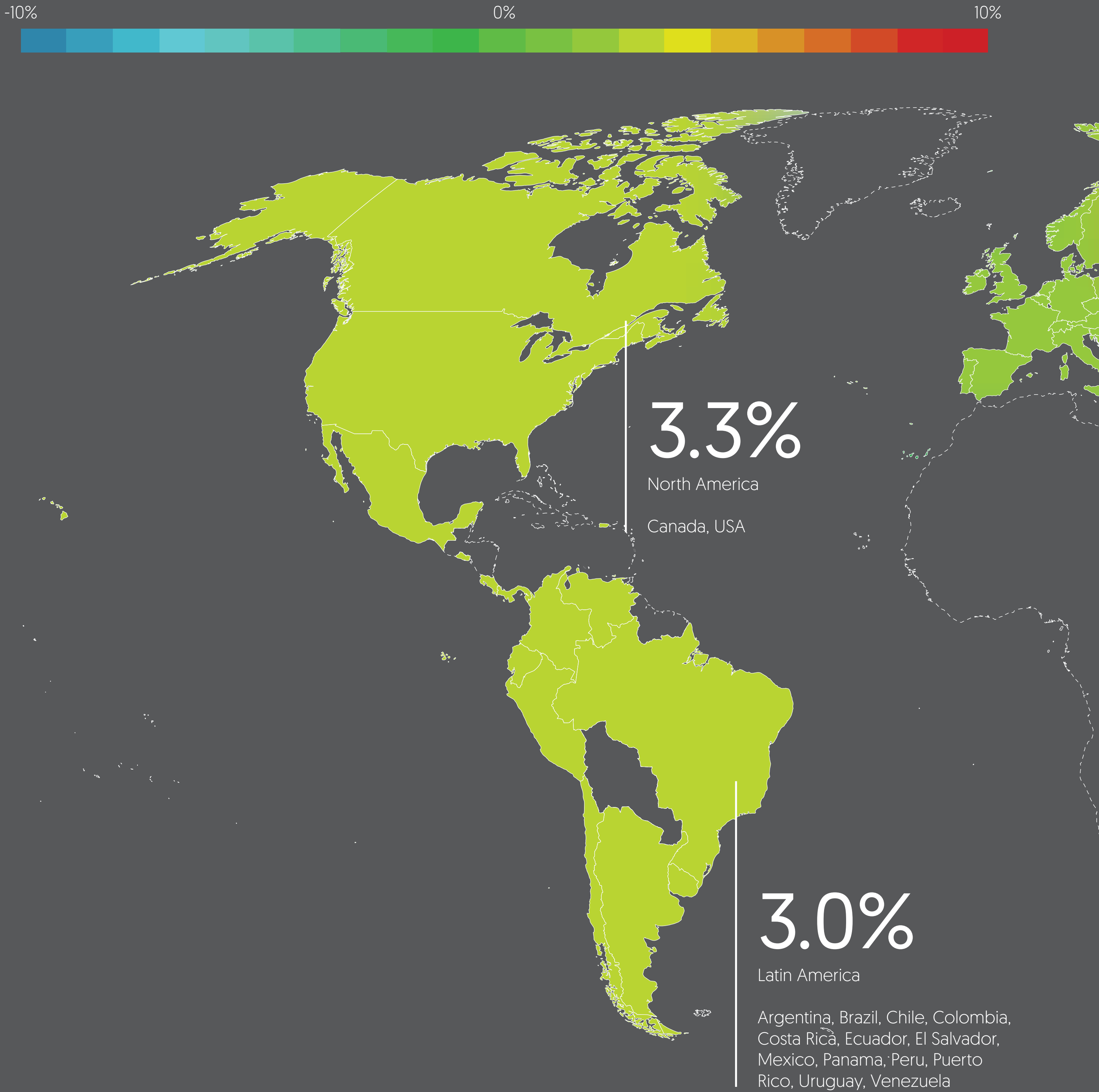
Since the financial crisis hit ten years ago, companies have focused on efficiency and have been cutting costs. But there comes a point when costs have been cut to the bone, and the only way to keep on increasing profits is to generate top-line growth. For many brands that point is now.

Brand growth will come from using new technology to understand the consumer better, and target them more effectively through the consumer journey with personalised communications. Global Intelligence showcases how our experts from around the world are doing that in many ways, from using machine learning to make programmatic buying more efficient, to partnering with 'micro-influencers' on Snapchat to connect with beauty consumers.

We hope you enjoy this new edition of *Global Intelligence*. Do email me at Jonathan.Barnard@zenithmedia.com if you have any questions about anything we've covered here, or if there's anything you'd like us to cover in future.

# The world's advertising hot spots

*Average annual growth in adspend by regional bloc 2016-2019*



## 2.6%

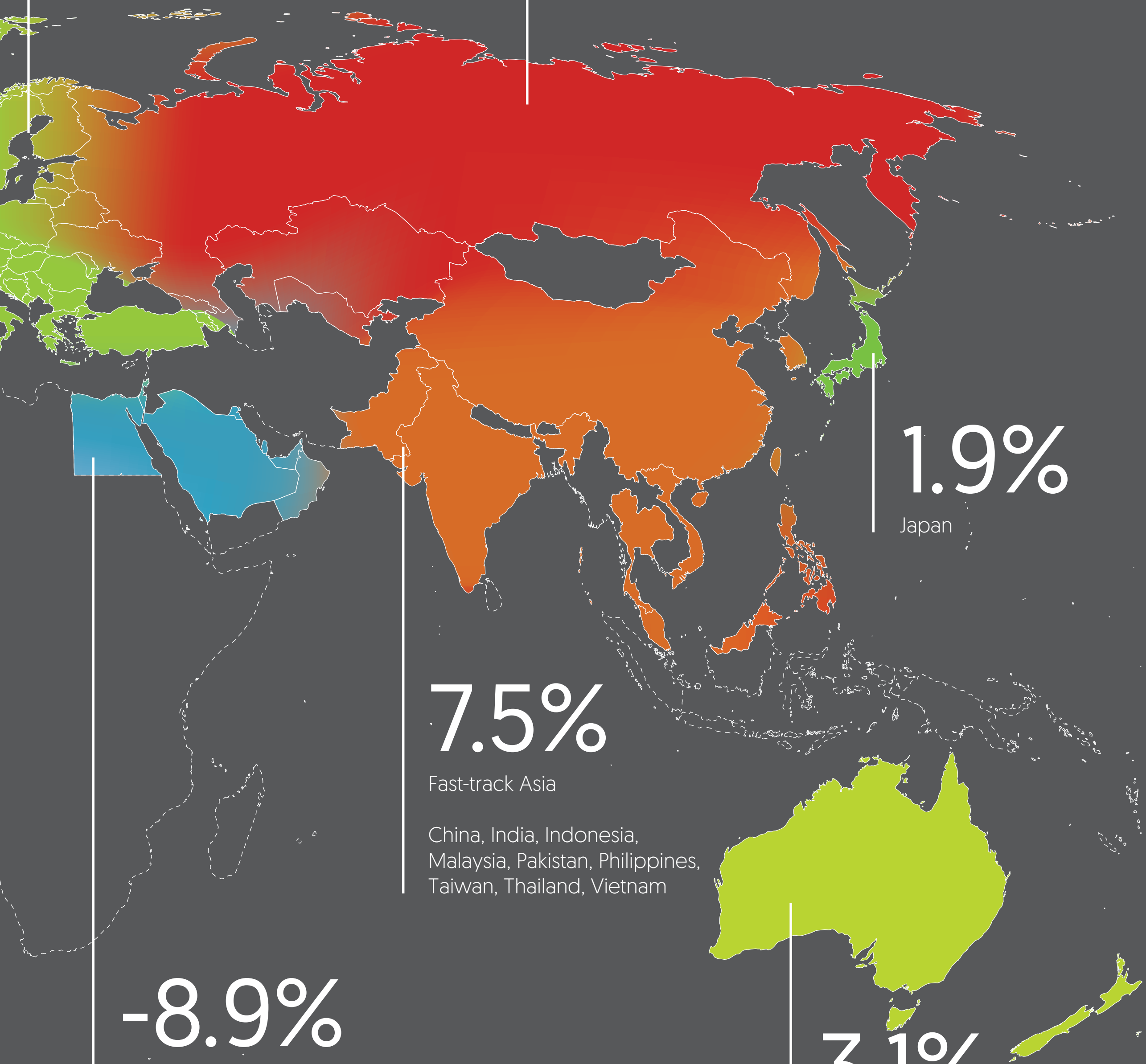
Western & Central Europe

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

## 9.2%

Eastern Europe
& Central Asia

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



## 1.9%

Japan

## 7.5%

Fast-track Asia

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

## -8.9%

Middle East
& North Africa

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

## 3.1%

Advanced Asia

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

# Underlying growth in global adspend strengthens in 2017

*Global adspend continues to grow steadily, led by Asia Pacific. Latin America and Central & Eastern Europe are accelerating, but Western Europe is being dragged down by a sharp drop in growth in the UK*

We forecast that global advertising expenditure will grow 4.2% to reach US$559bn in 2017. That's down from 4.8% growth in 2016. However, 2016 was a 'quadrennial year', and benefited from an extra US$6bn in adspend stimulated by the US elections, Summer Olympics in Rio and the football championships in Europe, making the annual comparisons tougher for 2017. After adjusting for this, underlying growth will actually strengthen from 3.6% in 2016 to 5.4% in 2017. This extra growth is coming from recovering economies in Latin America and Central & Eastern Europe.

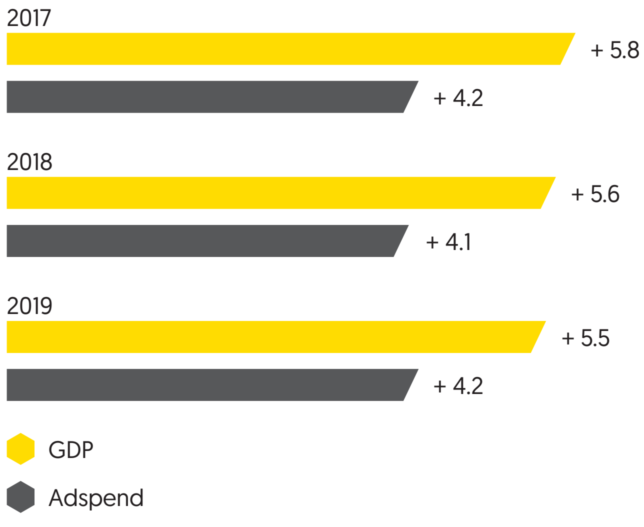
## *Asia Pacific is leading global adspend growth*

Advertising expenditure in Asia Pacific will grow by US$30bn between 2016 and 2019, contributing 43% of the global growth in adspend over this period. By 2019 Asia Pacific will account for 33.4% of global adspend, up from 32.1% in 2016. This will be the first time it will account for more than a third of the global total. The Asia Pacific ad market will still be smaller than the ad market in North America, which will account for 36.3% of global adspend in 2019, but the gap between the two is narrowing. In 2013 the North American ad market was US$35bn larger than Asia Pacific's, but by 2016 the difference had dropped to US$27bn, and we expect it to fall to US$18bn in 2019.

## *Weak growth in the UK drags down Western Europe*

The UK was the stand-out growth market in Western Europe from 2011 to 2016, growing at an average of 7.3% a year while the rest of the region grew by just 0.4%. However, a slowing economy, gathering inflation, and political uncertainty over the mid-year elections and upcoming Brexit negotiations have all contributed to a sharp drop in adspend growth in the UK in 2017. We now forecast just 0.9% growth in UK adspend this year, down from 9.6% growth in 2016. This drop in UK growth, together with the quadrennial comparison, will drag growth in Western European adspend down from 4.6% in 2016 to 2.0% in 2017.

### Growth of advertising expenditure and GDP 2017-2019 (%)




*Source: Zenith/IMF*

# Ten fastest growing markets

## The ten biggest ad markets

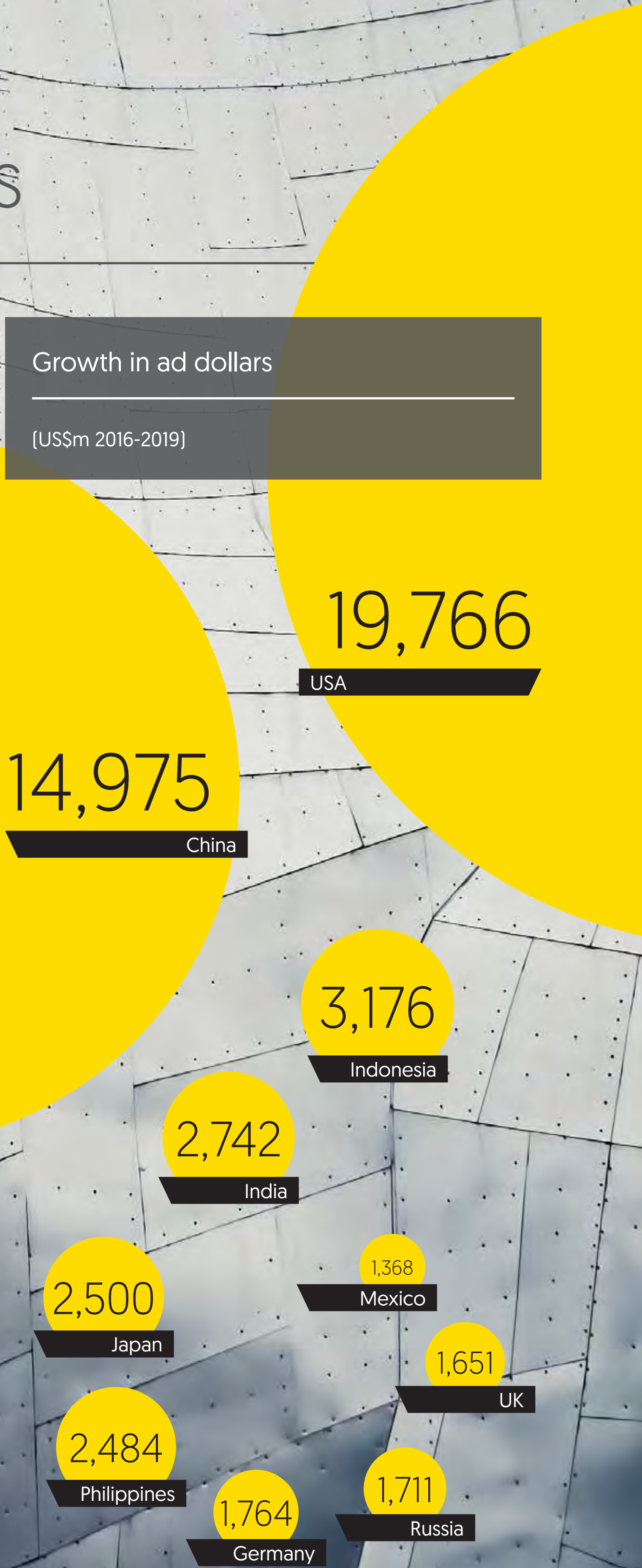
Ad expenditure (US$m)

| 2016 | | 2019 |
|---|---|---|
| USA 190,778 | 1 | USA 210,544 |
| China 74,961 | 2 | China 89,936 |
| Japan 41,924 | 3 | Japan 44,424 |
| UK 24,160 | 4 | UK 25,812 |
| Germany 21,951 | 5 | Germany 23,715 |
| Brazil 13,047 | 6 | Brazil 14,111 |
| France 11,381 | 7 | South Korea 12,113 |
| South Korea 11,271 | 8 | Australia 11,973 |
| Australia 10,930 | 9 | France 11,899 |
| Canada 8,739 | 10 | Indonesia 10,795 |

Source: Zenith/IMF

## Growth in ad dollars

(US$m 2016-2019)



# Social media to overtake newspaper advertising in 2019

*For many consumers, social media is their main source of news, their starting point for content discovery, and the centre of their social lives. Social media ads sit naturally within the newsfeed and are a non-intrusive way of communicating with consumers in a very personal environment.*

We forecast advertising expenditure on social media to reach US$54bn in 2019, overtaking advertising expenditure on printed newspapers, which will total US$49bn that year.

Social media advertising is the fastest-growing component of internet advertising – it grew 52% in 2016, and we forecast it to grow at an average rate of 20% a year to 2019. For many consumers, checking their mobile devices for social media has become a regular, ingrained habit, and social media ads blend seamlessly into their mobile app newsfeeds. Social media advertising will account for 7.1% of all global advertising this year, and by 2019 this proportion will rise to 9.1%.

Newspaper advertising, meanwhile, is shrinking by 5% a year as circulations continue to fall. Newspapers were the first medium to suffer from competition from the internet, initially as classified advertising largely migrated online, and then as readers turned to free sources of news online. Newspaper adspend has shrunk every year since peaking at US$112bn in 2007, and by 2019 will be back to levels last seen in 1985 – and that's without adjusting for inflation. Magazine adspend is shrinking by 6% a year, for similar reasons: it peaked at US$52bn, also in 2007, and by 2019 will be back down to 1993 levels. In 2019 newspapers and magazines will together account for 12.6% of global ad expenditure, down from 39.3% in 2007 and 58.6% back in 1980.

Note that these newspaper and magazine figures only includes advertising in printed editions – the online revenues of print publishers are included in the internet advertising total.

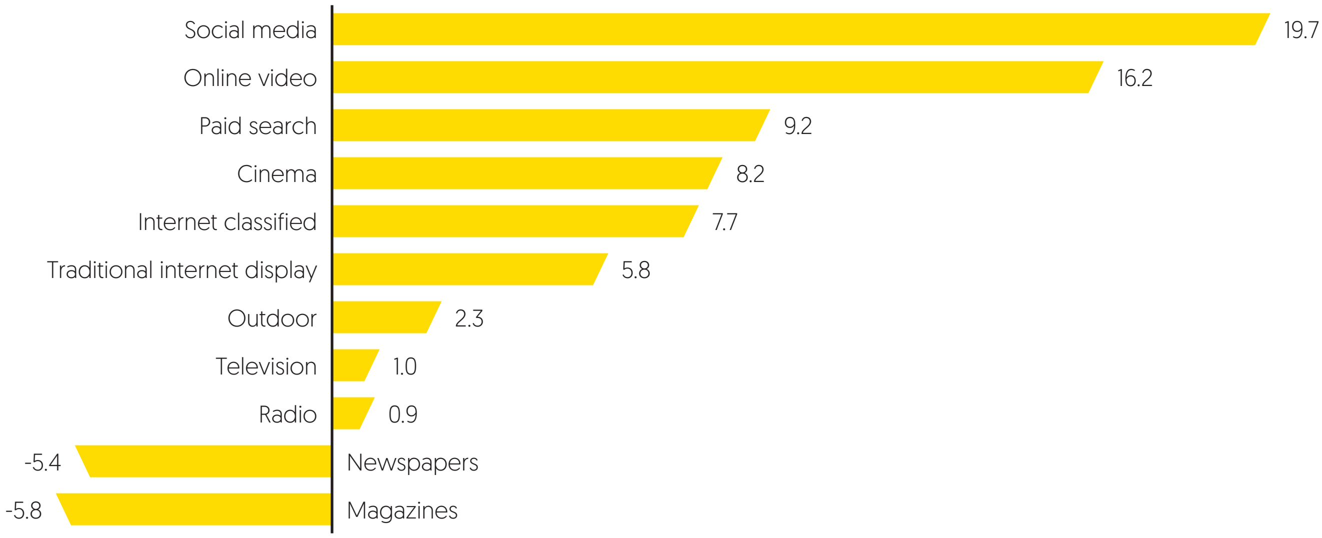
As we mentioned in the last issue of *Global Intelligence*, online video is growing rapidly thanks to availability of more and better content, and the spread of high-speed internet connections. We forecast it to grow by 16% a year throughout our forecast period, increasing its share of global adspend from 4.6% in 2017 to 5.7% in 2019.

Traditional internet display advertising grew just 0.7% in 2016 as advertisers shifted their budgets into social media and online video, but we expect growth to pick up this year to 4.3%, rising to 8.8% in 2019. Meanwhile we expect paid search and internet classified advertising to grow at annual rates of 9% and 8% respectively to 2019.

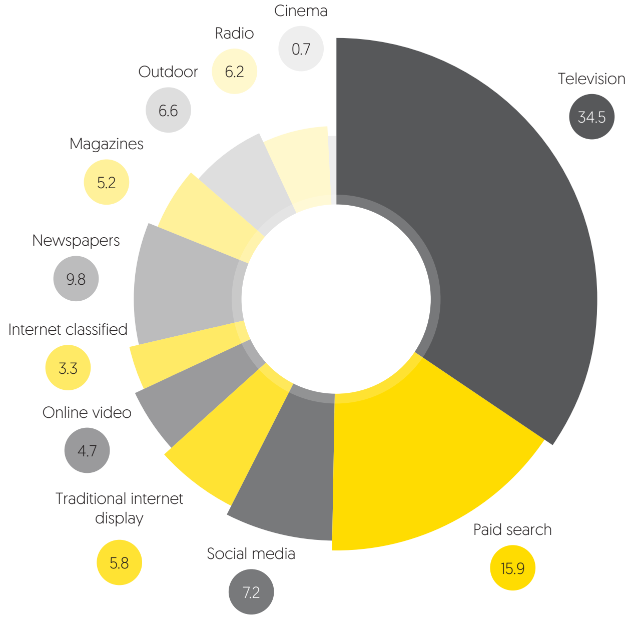
Television, radio and outdoor advertising are all growing, though less rapidly than the market as a whole, so they are losing market share to the internet. Television's market share peaked at 39.4% in 2012, and will be 32.6% in 2019, down from 34.5% this year. Radio had a greater share of global adspend than outdoor until 2013. Radio's market share was consistently 2-3 percentage points ahead of outdoor's between 1985 and 2006, but then outdoor started to catch up, benefiting from the transition from static to digital displays, while radio suffered competition from internet audio and, latterly, streaming music. We expect radio's market share to fall from 6.2% in 2017 to 5.9% in 2019, while outdoor's share falls from 6.6% to 6.4% over the same period.

Cinema is the only traditional medium that's gaining share of the global ad market, but it is still much smaller than all the others. We forecast cinema to account for 0.70% of global adspend in 2019, up from 0.65% this year.

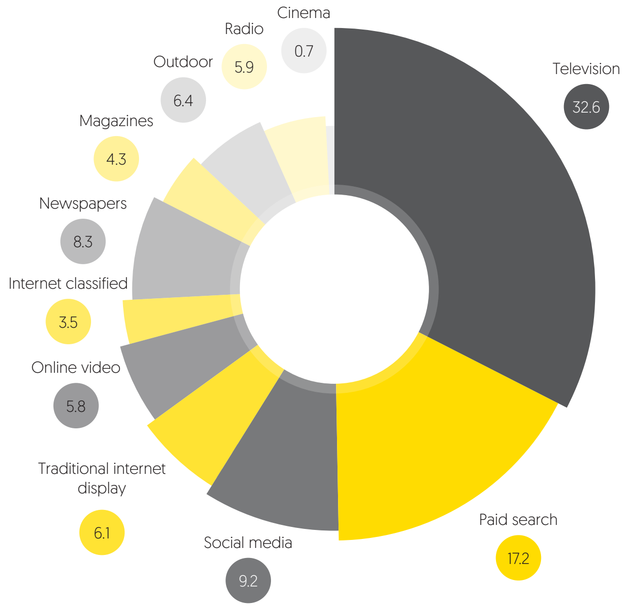
## Average annual growth rate by medium 2016-2019 (%)




## Share of global adspend by medium (%)




2017




2019

# United States of America

Elections always have a big effect on the US ad market, since so much campaigning is done through paid advertising. This is true during the presidential election years that occur every four years, and in the mid-term elections that occur in between. During last year's elections nearly US$3bn was spent on political advertising on local TV alone. The results of the elections, however, have less obvious and immediate effects.

The victory of President Donald Trump, though it took much of the world by surprise, has made little difference to the spending plans of most US advertisers. There has been a lot of speculation about deregulation and infrastructure spending to boost the economy, and worries about rising barriers to trade, but so far the Trump presidency has had little effect on the spending power of the average household. And while consumers continue to spend at a steady pace, so will most advertisers.

Political uncertainty does seem to have had a slight dampening effect, though. We are forecasting 3.5% growth in US adspend this year, down from the 3.8% growth we forecast before the election. This is a step down from the 4.4% growth registered last year, but that's no surprise after the boost to spending provided by the elections and the Rio Olympics last year.

The average American adult spends 34 hours a week watching television, which accounts for 43% of their total media consumption. However, conventional television viewing is declining as consumers spend more time viewing video on other platforms, such as desktop computers, mobile devices and gaming consoles. In Q4 2016, network audiences dropped 5% year on year, while cable audiences fell 4%. This is putting pressure on TV networks to invest in recapturing audiences on these new platforms, and on audience research companies to provide cross-platform measurement.

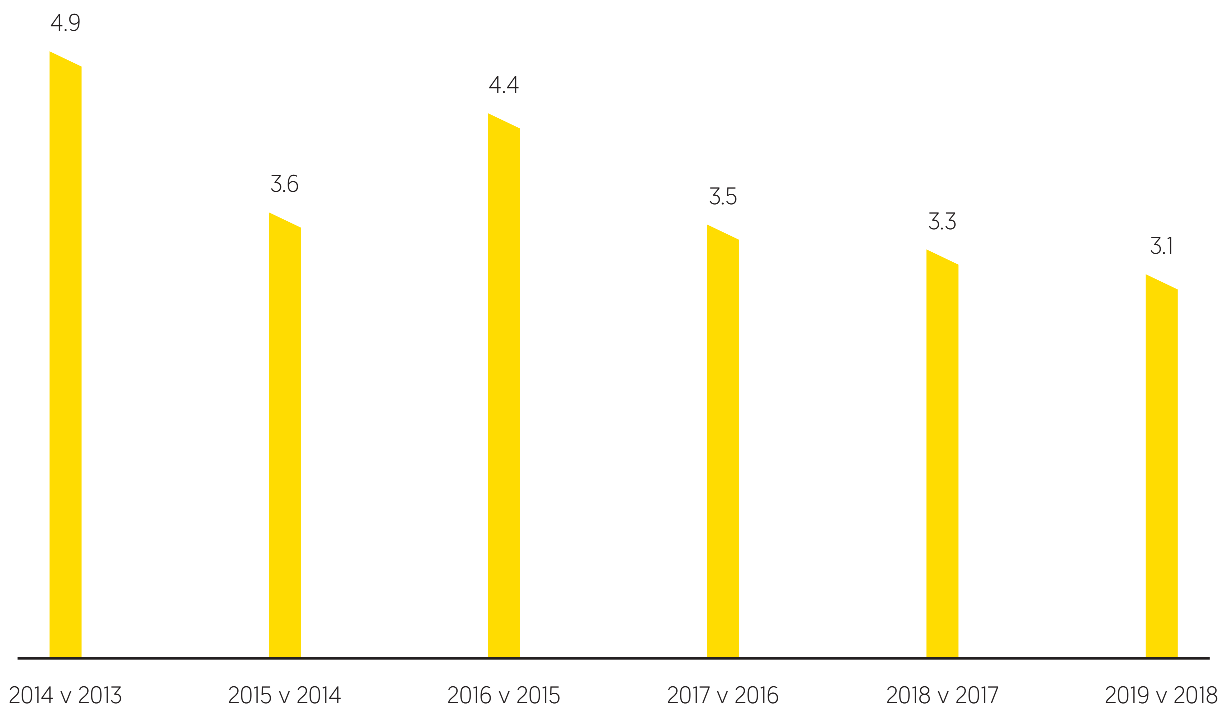
There is also a lot of work being done to improve audience measurement on local TV, which has historically been rather inconsistent, and – excitingly – to open up the local TV marketplace to true programmatic buying.

Programmatic buying has also come to the out-of-home market: Clear Channel Outdoor currently offers 25% of its digital inventory in 25 markets for programmatic trading, and this is only the beginning. Outdoor contractors are also starting to use facial recognition, internet-connected screens and external data-feeds to reach consumers and track their reactions in new ways.

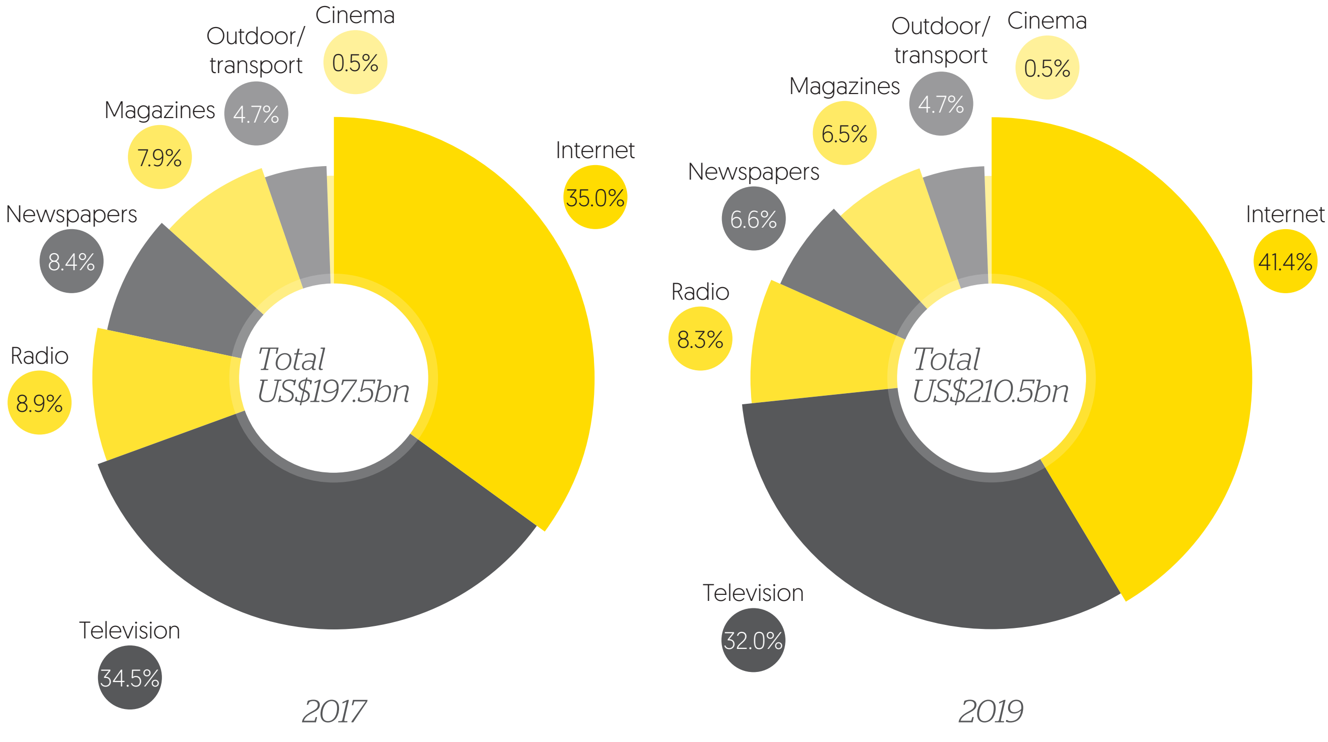
The print circulations of newspapers and magazines continue to decline, and while the reach of their digital editions is booming, digital revenues have generally not been enough to offset print losses. Nevertheless, publishers continue to invest in new sources of revenue, such as programmatic sales, digital video, native advertising and high-impact print executions.

## Adspend in the USA

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




## Share of adspend by medium (%)



# Start-up watch

*For this edition we look at four start-ups that all work by taking a point of friction between the brand and its consumers and partners – either in understanding or communication – and making it frictionless.*

## Takumi

Takumi is a start-up that champions the creator. Its app allows influencers to pick the campaigns they want to be involved with, and by swiping right they can store the briefs that they feel would resonate with their Instagram followers.

## OnePulse

Getting access to insight is becoming more important than ever. Through OnePulse's Snap Polls, clients are able to target broad demographic audiences with up to three closed or open-ended questions, and then just sit back and watch the responses roll in.

## TopicDNA

TopicDNA helps brands establish a better understanding of social media communities, particularly on Twitter and Instagram. The TopicDNA tool categorises social media users by the conversations they take part in, and combines this with a measure of their level of influence. This allows brands to profile users by their personalities, to identify what content is most engaging and create audiences to target by advertising.

## StoryStream

The StoryStream publishing platforms helps brands manage their content with greater ease. StoryStream provides a suite of tools that make it easier for brands to collect, create and distribute content across their owned channels, with the aim of improving the consumer experience and increasing engagement with the brand.

# Lessons in brand growth from Cannes Lions

*Data-driven marketing and reimagining creativity were once more at the forefront of seminars and discussions in Cannes. For every advocate of machine learning there was an evangelist for brand purpose. Despite the ever-increasing presence of technology at the festival, it is clear that many of the smartest people and award entries still rely on human understanding.*

## *Machine learning is everywhere*

Machine learning was cited everywhere as a key driver of transformation. We saw machine-learning solutions to topics as diverse as mapping pictorial themes for art historians and improving the civility of online forums. Barely mentioned two years ago, machine learning has become mainstream and is replacing human 'craft skills' and intuition throughout the industry. This was evident in the awards entries: IBM Watson was cited in categories as diverse as fashion, pharma and retail. Machine learning is a key tool for ambitious brands – and not just for measurement, but for planning.

## *Brand purpose is a proven force for creativity and growth*

Marketers and agencies alike championed brand purpose as a means of driving effective creative work. Brand purpose was cited as the key to the growth of Unilever's brands, to WARC's most successful campaign of 2016 ('Share the Load' for Ariel in India), and to effective creativity at Diageo. Marketing leaders argued that a successful brand purpose should be relevant to the category and the product, and not purely altruistic, and that brands with a purpose grow up to 50% faster than those without.

## *Targeting has become a main stage issue*

Marketing leaders argued for and against precision targeting, but the consensus was that a segment-driven approach makes sense for consumer experience and ROI. Facebook claims an average 3.5 times uplift from its custom segments. Stanford's Professor Michal Kosinski identified micro-segmentation in social media as pivotal to the Brexit and Trump campaigns. However, the Ehrenberg Bass Institute argued for reach-based planning and the value of 'wasteful' mass targeting. Accelerated brand growth clearly requires a balance of broad communications that embed a brand in culture, and a segment-driven approach that personalises the story.

## *Content is king, but context is King Kong*

Many speakers explored the importance of context and high-quality environments, as counterweights to targeting and automation. This could be seen in the WARC Top 100 Campaigns of 2016, Diageo's brand-purpose cases, and a brilliant session from neuroscientist Beau Lotto, who argued that all data is meaningless without a full appreciation of context. Unilever's Keith Weed shared the approach that drives growth among his 'Sustainable Living Brands': identify the job to be done and then the best and most relevant environments in which to bid for attention. The clear trend is for fast-growing brands to care more deeply about cultural and media contexts.


Zenith's Benoit Cacheux (left) at PM Transform.

# Digital Giants *Q1 2017*

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

## facebook

+51%
*ad revenues year on year*

85%
*of ad revenues from mobile*

60.4%
*Global reach (all internet users)*

US$451bn
*Market cap*

Facebook now has 1.3 billion daily users, almost all of whom access it using mobile devices for some or all of the time. It has 1.9 billion monthly users around the world.

Facebook has effectively completed its transition from desktop to mobile, and is now concentrating on encouraging users to share video instead of text and static images. For users in the US, it has added a dedicated video tab to aid video discovery. This will presumably roll out worldwide if successful. Facebook is investing in original and licensed video content, which will at least initially be more short-form than long-form – more like YouTube than Netflix. Facebook has also added a Stories feature, which allows users to share collections of videos and images, like the Instagram and Snapchat Stories features.

## Google

+44%
*paid clicks year on year*

-19%
*cost per click year on year*

80.7%
*Global reach (all internet users)*

US$682bn
*Market cap*

Google (under the holding company Alphabet) attributes much of its growth in Q1 2017 to mobile search and YouTube, despite the controversy that arose when ads from major brands were found running alongside YouTube videos promoting hate and violence. Google continues to expand its video services, and in April 2017 launched its YouTube TV service in select cities in the US. This offers 40 entertainment, news and sport channels for US$35, an over-the-internet direct competitor to cable TV services.

Expanded text ads are now standard on Google search, allowing for additional lines of copy within paid-search ads. 'Retargeting Lists for Search and Customer Match' allow for personalised search ads based on previous customer interactions with advertisers. These services will evolve into allowing look-a-like targeting for similar audiences, already available within Gmail ads and YouTube, and add greater scale and impact to personalisation.

## Oath: A Verizon company

50+
*media and tech brands*

1bn+
*audience*

*Yahoo*
48.7%

*AOL*
10.7%

*Global reach (all internet users)*

Oath is a new entity formed by the merger of AOL and Yahoo, after the former's owner Verizon completed its purchase of the latter (except its stakes in Alibaba and Yahoo! Japan) in June 2017. Oath now consists of more than 50 online media and tech brands, including Yahoo, Flickr, Tumblr, AOL.com, The Huffington Post, TechCrunch and Engadget. It is led by Tim Armstrong, former CEO of AOL, while Yahoo's former CEO Marissa Mayer has resigned.

The combined AOL and Yahoo businesses generated about US$8bn in advertising revenue in 2016, which would have made it the sixth-largest media owner in the world, according to the unique ranking in Zenith's *Top Thirty Global Media Owners* report. But they represent a small proportion of Verizon's activity – Verizon generated a total of US$126bn in revenue last year, mostly from US telecoms. To date, it has released little information on the financial performance of AOL, and we will have to wait to see how much it will release about Oath.

-11%
*ad revenues year on year*

+14%
*active daily users year on year*

32.6%
*Global reach (all internet users)*

US$13bn
*Market cap*

Twitter now has 328 million monthly users, up 6% year on year, while the number of daily active users rose 14% over the same period, so existing users are accessing Twitter more frequently. User growth has been picking up over the last few quarters after a prolonged period of stagnation.

Twitter now broadcasts 62 hours of live video each week, most of it sport but also news, information and entertainment. These streams attracted 45 million unique viewers in Q1 2016. Like Facebook, Twitter is building video sharing into its main app, and in Q4 gave its users the ability to share live video.

Twitter now offers ad insertions into its live video feeds, and allows advertisers to buy audiences on a CPM basis.

*Source for global reach: GlobalWebIndex*

# Artificial Intelligence gets to work

*Artificial intelligence is making a real difference to the way the media industry operates right now. Here we look at how it is transforming programmatic trading, and generating new insight into brands' activity on social media.*

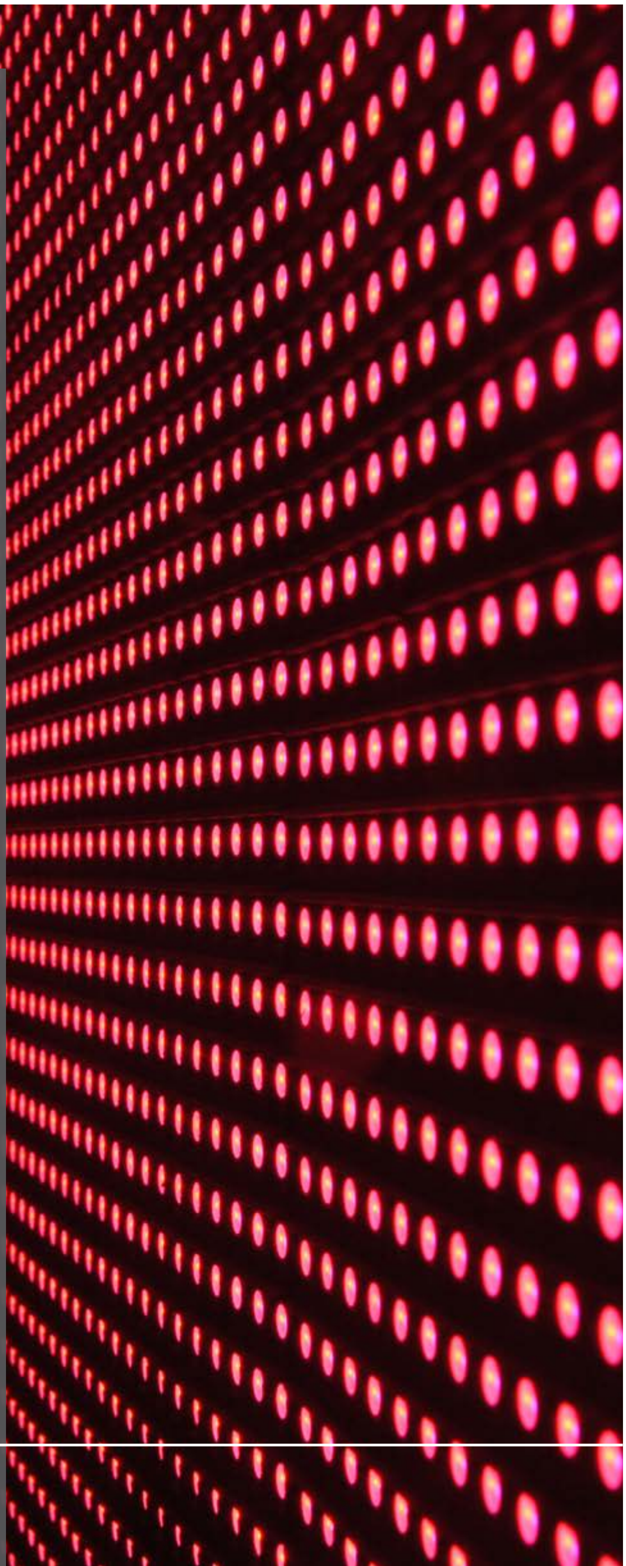
## *Programmatic trading by machine learning*

The wealth of data generated by digital channels and the levels of computing power now available have created an opportunity to rethink old business models using Artificial or Augmented Intelligence (AI). In many respects the logical outcome of trends in digital media – and programmatically traded media in particular – is that it will eventually be governed by some form of algorithm.

Programmatic media now plays an important role in the media plans of most major brands. These brands are demanding more transparency and higher ROI, while agencies need automation to execute the huge number of transactions that now take place. This has in turn created an obvious opportunity to deploy AI, and specifically machine-learning techniques.

Machine-learning algorithms are used to model and optimise every digital touchpoint – such as paid search, display ads and social media – at the individual level, having 'learned' from historic data which combination of these touchpoints is most likely to generate a conversion. With increasingly rich data from first-party website tags or third-party audiences, it is then possible to optimise in favour of audiences of a certain profile, as well as a given set of behaviours, and execute campaign activity via programmatic platforms.

Combined with an understanding of the total user journey and the application of machine learning to the optimisation of content, automated trading represents the future for digital media.



## *Identifying paid posts on Facebook*

In recent years social media has been one of the fastest-growing marketing channels. It offers high reach, fine targeting, and strong engagement and relevance. Social media has generated a huge amount of data on consumer behaviour, but much of this data remains within the confines of the social media platforms, which are keen to protect users' privacy and their own intellectual property and competitive advantage. The use of AI (Artificial or Augmented Intelligence) techniques – and particularly machine learning – in marketing and media continues to grow at breakneck pace, and it makes sense to apply these techniques to social media data.

Using the proprietary Publicis Media application Socialtools, we can track and analyse the performance of our clients' posts on Facebook, distinguishing between those we have paid to promote, and those that have achieved their reach organically. What has not been possible without the application of machine learning is the ability to distinguish between paid and unpaid posts for competing brands. Using data from more than 300,000 posts collected via Socialtools – including likes, comments, shares, time delay between post and comment, day of week, and impressions/paid impressions – we have been able to answer this question.

The data available to train and test the model ran from November 2015 through to early January 2017. We used data from November 2015 to November 2016 to train the model, then tested it on data from December 2016, which included 37,000 posts. Using Random Forest classifiers, which test the different scenarios for the highest accuracy, our model correctly predicted that 29,395 were unpaid and that 4,390 were paid. This represents an accuracy level of 92%, and in one simple exercise clearly illustrates that AI techniques can offer genuine opportunities to derive insight from data that would otherwise be deemed too complex or inaccessible.

# In focus: Beauty

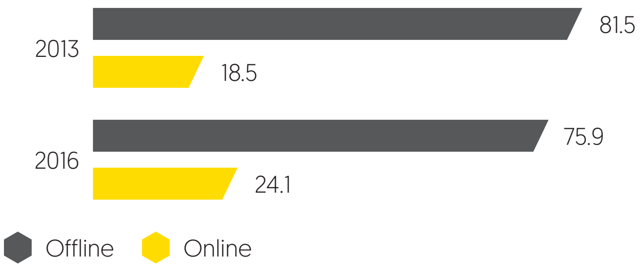
## Marketing imperatives

- Beauty advertisers should start to use online video as a regular channel for brand building, alongside television and magazines
- Search can be used to communicate more personally, and to reach consumers while they are actively shopping for brands on the high street
- Beauty consumers are looking for direct and personal recommendations, and are less concerned about the opinions of distant experts

The global market for beauty and personal care products is worth about US$450bn annually, and includes some of the world's most iconic brands. As in all categories, beauty brands are having to adapt to rapid changes in technology and consumer behaviour, which is forcing them to change the way they communicate with consumers.

Consumers' experience of beauty brands has changed rapidly over the last three years. Beauty is still more dependent on offline media than most categories: offline touchpoints contributed 76% of beauty brand experience in 2016, compared to 64% of brand experience across all categories (a touchpoint's brand experience score measures how much it contributes to consumers' overall experience of brands.) Image and glamour are at the heart of the category, and beauty brands have traditionally turned to high-impact media like television and magazines to convey these qualities. But online media are rapidly becoming a lot more important – their share of brand experience increased by 5.6 percentage points between 2013 and 2016, as the chart below shows. Thanks to advances in connection speeds and displays, and the ubiquity of smartphone video technology, video is becoming integral to the internet experience. This is giving beauty brands the opportunity to display their qualities and values to best effect online.

### Brand experience share (%)




*Source: Touchpoints ROI Tracker Global Norms*

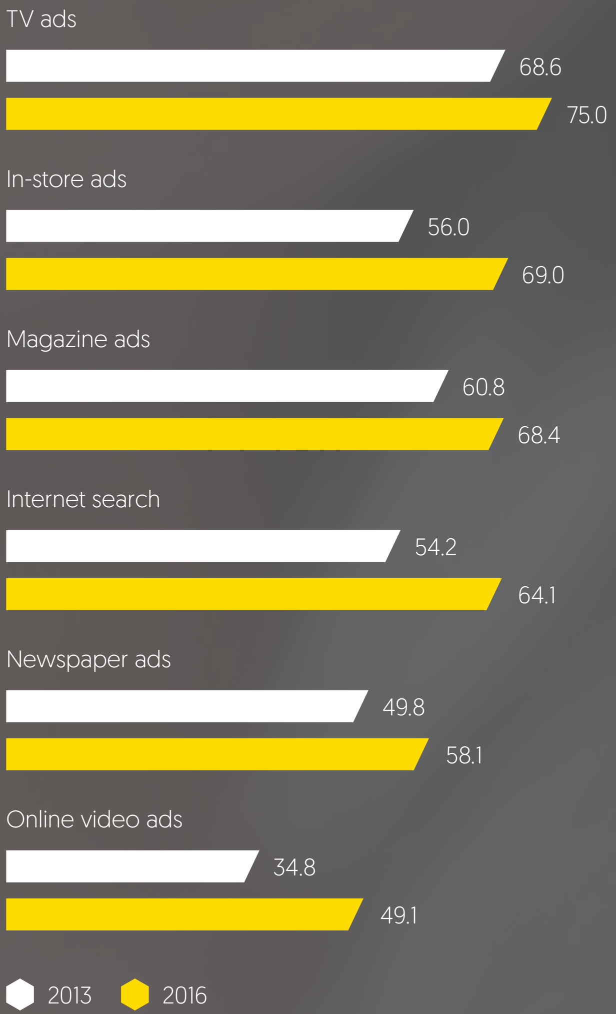
**TOUCHPOINTS ROI TRACKER**

Based on consumer research, Touchpoints ROI Tracker is Publicis Media's brand contact measurement and planning tool. Since 2004 a total of 1,058 Touchpoints projects have been completed across 65 countries, comprising 941,591 consumer interviews that provide contact point metrics for 14,034 brands in 319 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 over 180 touchpoints.

Television and magazines have lost none of their power to display brand values – in fact, their influence on consumer behaviour has increased over the last three years. Television ads are still the most influential form of beauty advertising, followed by in-store and magazine ads. But online video is rapidly increasing its influence, which increased by 14.3 points between 2013 and 2016 [the influence score is a measure of how likely a touchpoint is to influence consumer behaviour.] Over this time online video changed from something consumers encountered occasionally to a regular and expected part of their daily media diet. Most video is now viewed on smartphones - the consumer's most personal device. The smartphone has also helped internet search become a lot more influential for beauty brands, by allowing them to personalise their communications, tailor them by location, and reach consumers while they are shopping in-store and comparing brands and prices.

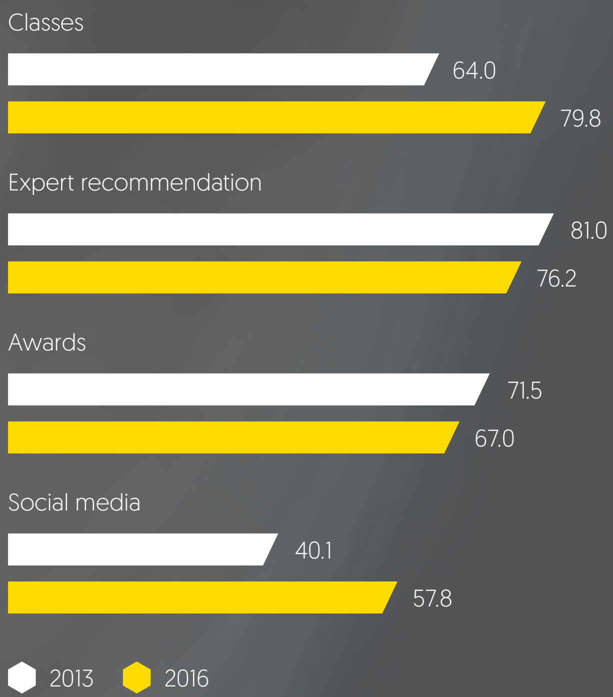
One of the most powerful forms of brand communication is of recommendation, and consumers are now looking for recommendations in new ways. They are seeking out personal relationships and one-to-one interactions, and are relying less on intermediaries and third parties. Beauty classes are at the top of the list, having increased their influence by a huge 15.8 points between 2013 and 2016. Social media has grown in influence even faster, by 17.7 points. Awards and experts are losing influence, as beauty consumers seek out the personal touch.

## The most influential types of beauty ads




*Source: Touchpoints ROI Tracker Global Norms*

## The influence of recommendation




*Source: Touchpoints ROI Tracker Global Norms*

# In focus: Beauty

## Marketing imperatives

- All other things being equal, beauty brands gain more follows the more frequently they post
- Posting more frequently does not generally lead to lower engagement among followers

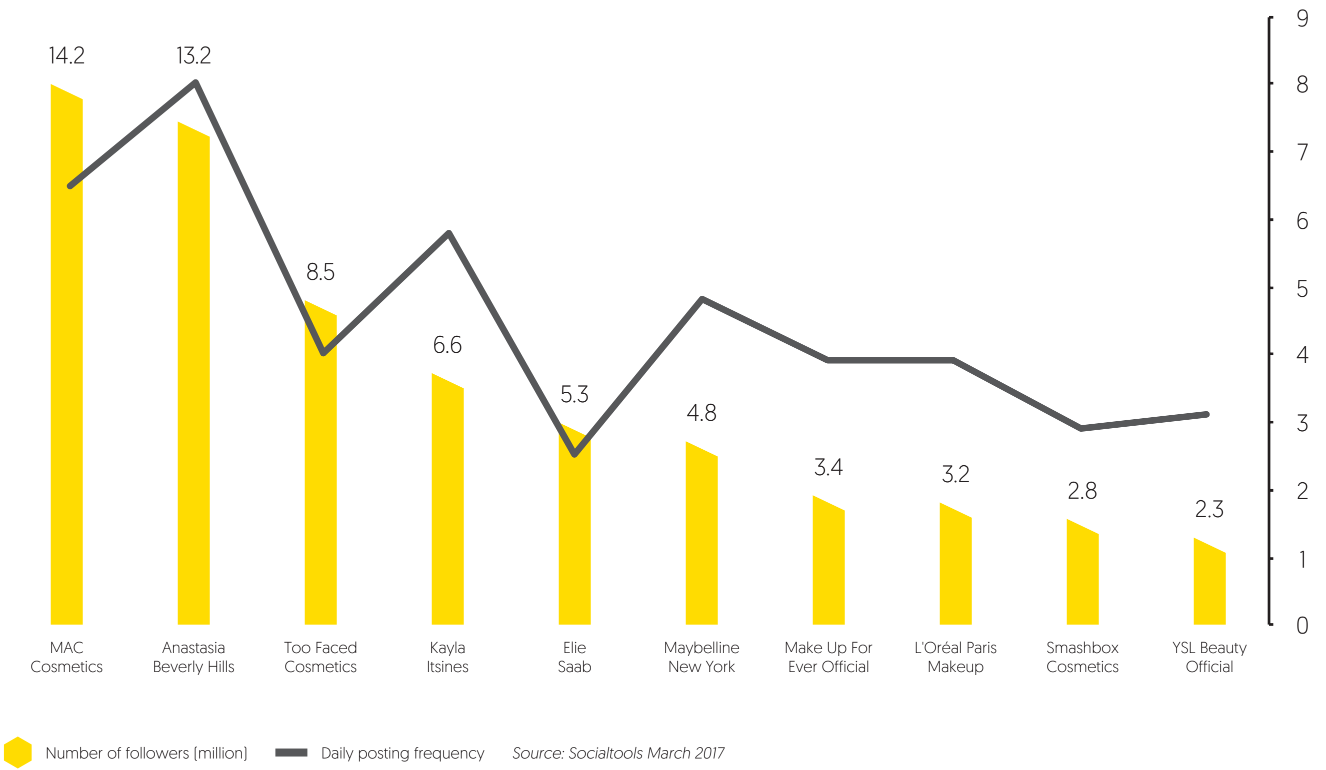
SOCIALTOOLS

Socialtools is Publicis Media's proprietary social content performance tracking tool. Socialtools is currently tracking the daily performance of 136,000 pages across five social platforms (Facebook, Twitter, YouTube, Instagram and LinkedIn), 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 104 categories.

Instagram is the most important social media platform for beauty brands: it provides an ideal environment for consumers to discover the practical applications of beauty products, as well as absorbing their brand values. Most of the big brands have international accounts, rather than separate accounts for different countries; Instagram is a visual platform, so there's not much of a language barrier.

The ten biggest brands on Instagram range from 14 million to 2 million followers, as the chart below shows. There's quite a big gap in the number of followers between the top two brands – MAC Cosmetics and Anastasia Beverly Hills – and the rest. There's also quite a big difference in their activity: the top two brands post 7.3 times a day on average, while the rest of the top ten post 3.9 times a day on average. In fact MAC Cosmetics and Anastasia Beverly Hills post more frequently than any of the other 136 beauty brands we track on Instagram, which post on average just 1.3 times per day.

## Top international beauty brands on Instagram

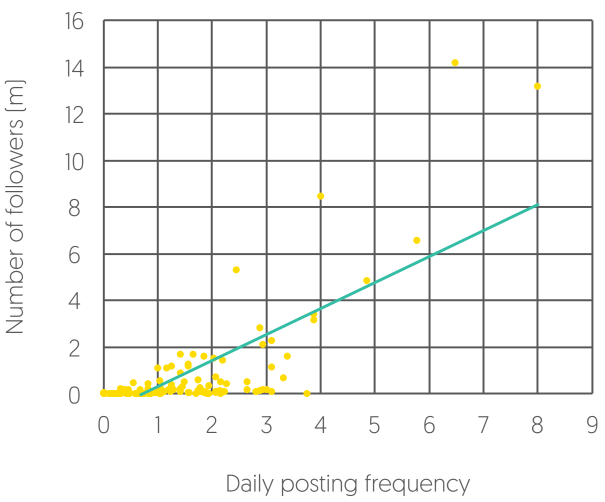



*Source: Socialtools March 2017*

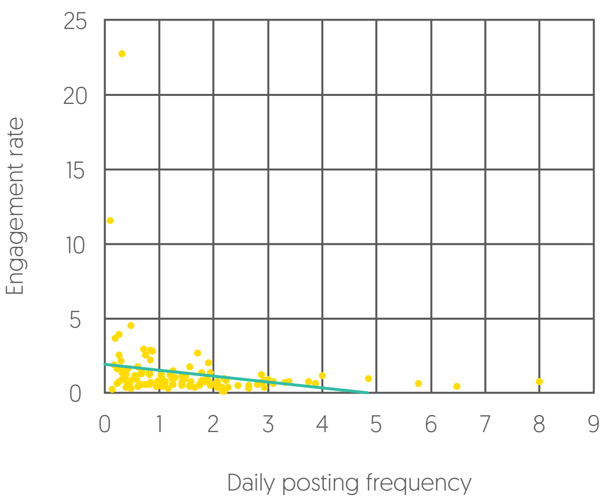
It turns out that there is a relationship between posting frequency and number of followers. On average, increasing posting frequency by one per day adds 1.1 million more followers. But clearly there's a wide variation around the average; attracting followers is as much about supplying them with content that gives them pleasure and value as it is about simply giving them more content.

However, there is very little relationship between posting frequency and engagement – that is, the likelihood that a given post will provoke a response from the brand's followers. Apart from a couple of outliers with low frequency and very high engagement – from very low-traffic accounts – the correlation between the two is very low. Posting more often does not, in general, cause followers to tune out a brand's posts, so there's no reason not to build up a following by producing more posts.

## International beauty brands on Instagram: Posting frequency and number of followers




## International beauty brands on Instagram: Posting frequency and engagement




# Under the influence of social

*Influencer marketing is maturing - brands are putting their money behind it, agencies have units dedicated to it and start-ups are developing innovative new products to support it. But a large number of highly effective influencers are currently undervalued – the micro-influencers.*

Micro-influencers are social media users who have between 1,000 and 100,000 followers. The concept of micro-influencers is not new – sociologist Paul Felix Lazarsfeld used it in 1940 to describe how most people formed their opinions of US presidential candidates by talking to friends and family rather than listening to media and institutions. But social platforms now allow brands to use micro-influencers to engage with multiple audiences at scale.

Here are three reasons why brands should include micro-influencers in their content strategies.

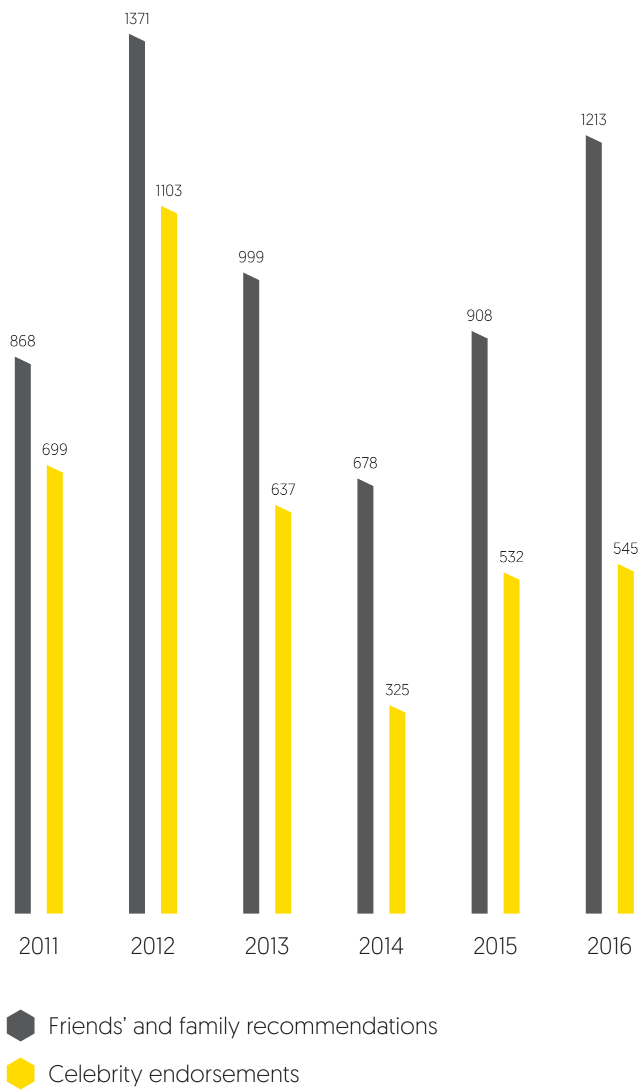
## 1. Micro-influencers improve ROI

Micro-influencers are cost-effective. Dedicating a huge budget to Instagram superstars with millions of followers may generate a lot of reach very quickly, but does not necessarily lead to high-quality experiences or more sales.

Publicis Media's Touchpoints tool tells us that micro-influencer touchpoints such as friends' and family recommendations contribute more to consumers' experience of brands than celebrity endorsements. Micro-influencers are more associated with the beauty category than celebrity endorsements, and have a greater influence on purchasing decisions. Personal recommendation consistently ranks higher than celebrity endorsements in brand experience points, a measure of how much each touchpoint contributes to consumers' experience of brands. [See the 'Category Insights – Beauty' section of this magazine for more on what Touchpoints tells us about the beauty category.]

We also know, through the Publicis Media's Socialtools, that people are more likely to engage with beauty influencers that have fewer followers. This holds true across Instagram, Facebook and Twitter. On Instagram – the key social platform for most beauty brands – users are more than four times more likely to engage with a post from a beauty influencer with under a thousand followers than from one with more than a million. The chart is indexed to show clearly how the trend applies across all platforms. Engagement rates for beauty influencers in fact vary widely across the three platforms: they are 5.6 times higher on Instagram than on Facebook, and 44 times higher on Instagram than on Twitter. We've equalised the platforms by indexing them here to allow us to illustrate all three without the much greater engagement on Instagram rendering the trends on the other platforms invisible. [See the 'Category Insights – Beauty: Social' section of this magazine for more on what Socialtools tells us about the beauty category.]

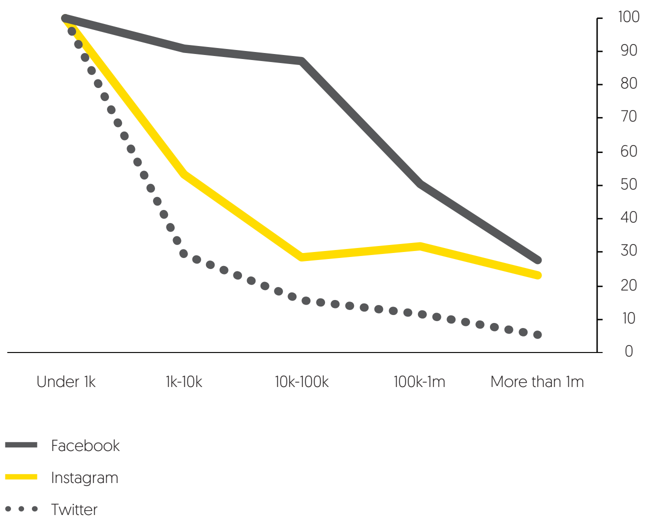
*Average brand experience points*




Source: Touchpoints ROI Tracker

*Index of average engagement rates*

*(Engagement for accounts with fewer than 1,000 followers = 100)*




*Source: Socialtools*

So micro-influencers are more cost-effective, contribute more to brand experience, and elicit greater engagement than influencers with mass followings.

## *2. Micro-influencers can rebuild trust*

Nielsen's Global Trust in Advertising Survey in 2015 found that 83% of consumers trust recommendations from people they know, while only 43% trust ads on mobile devices. Micro-influencers can help brands to bridge the credibility gap. The social media channels of top-tier influencers and celebrities are windows into the unreal: they allow people to fantasise and dream. Less-famous influencers offer authentic access to their real lives, and so have more impact and authority when consumers are making product and brand decisions.

## *3. Micro-influencers are a goldmine for insights*

Micro-influencers drive real engagement and offer high ROI, but they can do more than that – they can generate new interests and help shape creative. Micro-influencer strategies allow brands to create thousands of media assets, many more than are created through celebrity endorsement. The proliferation of data and the rise of machine learning allows agencies to generate insights from every content asset, providing new information on consumers' behaviour and related interests. This allows agencies to further optimise their campaigns and fuel the creative process.

# Header bidding – the true future of programmatic?

*Header bidding allows multiple ad exchanges to bid on the same inventory at the same time, which allows publishers to sell more inventory at higher prices. But it has created new problems, which need to be resolved.*

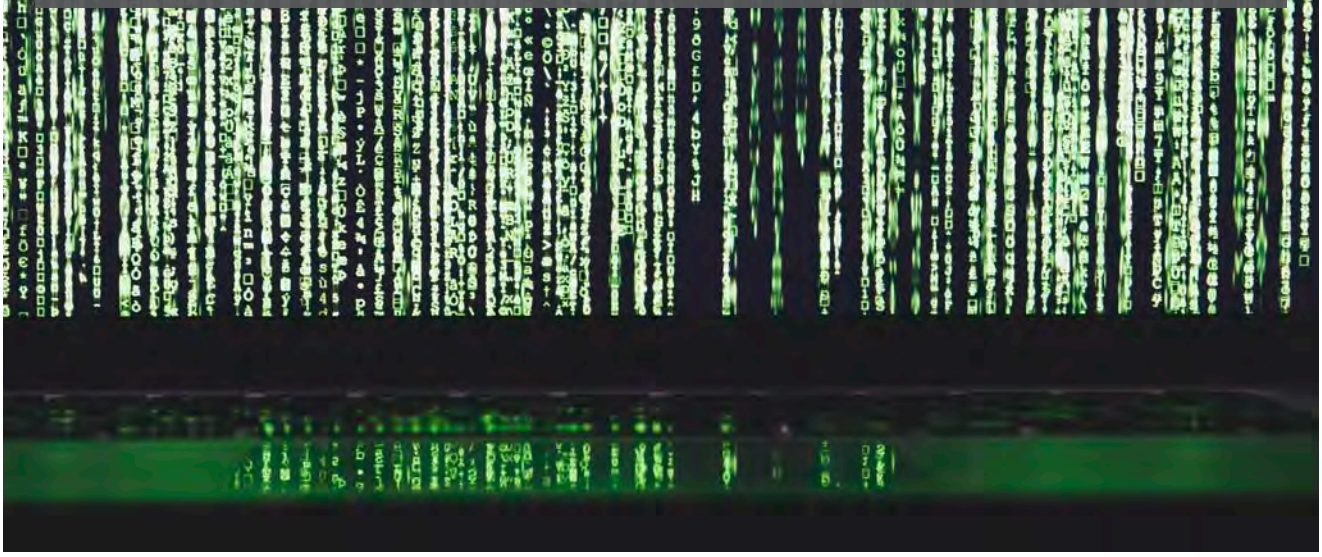
It is one of this year's hot trends in programmatic trading, but it was invented back in 2009 and has gained popularity with publishers and advertisers over the last two years. The use of header bidding has grown so much that BI Intelligence estimates that almost 70% of publishers are now using header bidding technology, compared to almost none in 2015.

Header bidding has produced positive outcomes both for publishers (by allowing them to maximise the value of every impression) and for advertisers (by giving them potential access to more valuable inventory). But it has also introduced new tensions that will need to be addressed, so that the programmatic market can become more transparent and effective for all of its stakeholders.

The main downsides of header bidding are:

- It causes a large increase in the number of ad calls per page, which can slow down access to a page's content and provide a poorer experience for the website's visitors.
- Because ad exchanges send more ad impressions per second, DSPs must deal with ever increasing volumes of impressions, adding to their costs. This makes it more difficult for smaller DSPs to operate profitably, threatening to reduce the overall competitiveness of the programmatic industry.
- As it increases the yield of a publisher's inventory, it also increases the cost per action for advertisers. This reduces the ROI and will cause brands to start to shift budgets to more cost-effective channels, defeating the initial purpose of maximising inventory value.

As header bidding tries to solve imperfections in the programmatic landscape, it also introduces its own. We need to ensure that programmatic technology continues to bring positive changes for advertisers by removing transparency issues and creating performance gains.



# Video advertising highlights the importance of viewability

*Publishers need to ensure that the ads they sell are viewed by actual human beings. But when monitoring the performance of their campaigns, brands should focus on engagement.*

This year the internet will overtake television to become the world's largest advertising medium, and online video adspend will grow 19%, faster than any other channel, so it's no wonder that the quality of digital media in general, and viewability in particular, remains at the top of the agenda for advertisers.

Media owners still have a long way to go to provide acceptable levels of viewability. Industry standards remain too weak and we strongly advocate the adoption of stricter standards, as per the Publicis Media standards based on a 100% in-view definition.

However, global levels of viewability are improving. Publishers in the Netherlands are doing particularly well, with 81% of video ads in view, according to Google. Countries like the UK (69% of video ads in view) and Germany (67%) follow close behind.

According to IAS, video ads bought programmatically lag behind, with just 47% viewability, highlighting the extra degree of care required when buying in the programmatic open marketplace. Private marketplaces yield better results, with average viewability for video ads at 77% last year, up from 66% the year before.

Mobile is better for viewability than desktop: Google found that 73% of mobile video ads were viewable in 2016, compared to 64% of desktop video ads. However, desktop ads improved substantially during the year, increasing viewability from 53% in 2015.

Viewability should be a basic hygiene factor and not a KPI. Accordingly the view-through rate (the number of completed video views) is much more important, and is now the main objective for 62% of campaigns, according to Videology.

Viewability rightly remains a top concern for advertisers, but it is important to take a wider view on how video advertising should be optimised. While aiming for maximum viewability, brands should optimise for engagement (i.e. view-throughs).

# Search responds to voice and vision

## Marketing imperatives

- Search is maturing, as paid-search growth starts to slow, and costs and click-throughs remain stable
- But search technology continues to advance, and brands must adapt or be left behind
- Brands must now optimise their websites for voice search, and consider the value of new services like Pinterest Lens

## Paid-search spending starts to slow

*Annual growth in paid-search adspend*

| 10% | 9% | 7% |
|---|---|---|
| in 2017 | in 2018 | in 2019 |

Paid-search adspend will grow 10% in 2017, powered mainly by growth beyond the traditional desktop search results page — in mobile marketplaces (e.g. Amazon, Google Product Listing Ads, Souq.com, Flipkart and Walmart) and voice. Growth will slow slightly in 2018 and 2019 as paid search reaches maturity, accounting for 18% of adspend across all digital and traditional media in 2019.

### *Pinterest Launches Lens*

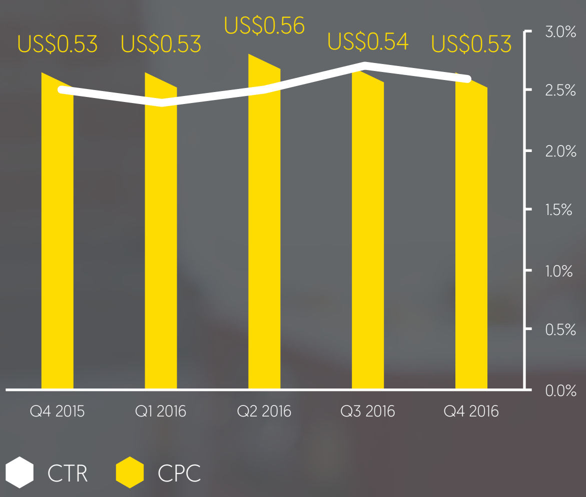
In full alignment with the theme of search moving from 'type and click' to full sight, sound and motion, Pinterest launched Lens at 2017 SXSW Interactive in March. Pinterest Lens enables consumers to point their phones at products, shoot and search for related images and products on Pinterest. Visual search applications like this could transform the in-store shopping experience, making 'showrooming' easier than ever. Lens may also boost advertising revenue for Pinterest, as advertisers seek to pay for visibility in the search results.

## *Global paid search CPCs & CTRs hold steady*

For five consecutive quarters, worldwide paid search CPCs (costs-per-click) and CTRs (click-through rates) have held remarkably steady. CPCs and CTRs remained consistent despite the dramatic change from Google at the start of 2016, when it eliminated right-side desktop paid search text ads.

### Paid search ad benchmarks worldwide: CPCs & CTRs, Q4 2015 - Q4 2016

*among campaigns analyzed by Kenshoo*




*Source: Kenshoo, *Digital Marketing Snapshot Q4 2016, Jan 24, 2017*

## *Voice search: the next frontier for SEO*

Propelled by the rising popularity of voice-activated personal assistants, such as Amazon Alexa, more people are seeking answers by 'searching' by voice rather than by typing keywords into their devices:

- **23%** of 18–34 year-olds regularly use voice-enabled digital assistants (Accenture, Jan. 2017)
- Worldwide shipments of digital voice-assistant devices will rise from **1.8m** in 2016 to **15.2m** in 2020 (Strategy Analytics, Aug. 2016)
- **1.3%** of Amazon shoppers now use Alexa to make purchases (Branding Brand, Mar. 2017)

As our world changes, communications must change in order for marketers to continue doing what they've always done: help consumers decide and discover. To achieve organic visibility in voice search:

- Write site content in a natural, conversational tone
- Add Schema markup (code that helps search engines provide more useful results) to your content, to ensure it appears in the Quick Answers section of the search page. This will make it more likely to appear on voice assistants
- Mark up all of your site content with microdata, or JSON-LD (recommended by Google)
- Create FAQ pages with lists of often-asked questions

Performics

# Recent Zenith reports and forecasts

*Zenith regularly publishes reports and forecasts on media and advertising throughout the year. Here's some of our recent output. Please email Jonathan.Barnard@zenithmedia.com if you'd like to know about the full range.*

## *Top Thirty Global Media Owners 2017*

This is Zenith's unique ranking on the world's largest media owners, based purely on their revenues from advertising, excluding all other activities, which gives the true measure of their status in the global advertising market. This emphasises the dominance of the digital platforms: particularly Google and Facebook, which between them captured 64% of all the growth in global adspend – across all media – between 2012 and 2016.

## *Media Consumption Forecasts 2017*

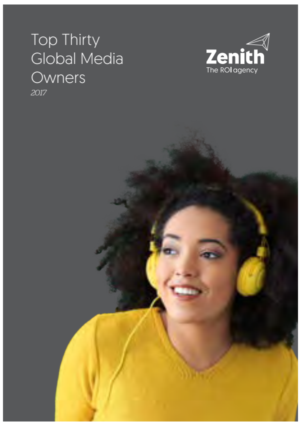
This report surveys changing patterns of media consumption since 2010, and forecasts how the amount of time people allocate to different media will change between 2017 and 2019. The main agent of change at the moment is mobile technology. Mobile internet use will account for 26% of global media consumption in 2019, up from 19% in 2016. People around the world will spend an average of 122 minutes a day accessing the mobile internet, up from just ten minutes a day in 2010.

## *Advertising Expenditure Forecasts June 2017*

In our latest quarterly adspend forecasts, we predict global adspend will grow 4.2% in 2017, spurred on by acceleration in Latin America and Central & Eastern Europe, and continued strong expansion in Asia Pacific. Economic conditions in Latin America are improving, while Central & Eastern Europe is gathering speed after conflict and sanctions hit Russia and connected markets in 2015. Asia Pacific is currently leading the global ad market, and will contribute 43% of the global growth in adspend between 2016 and 2019.

## *Online Video Forecasts 2017*

This is our annual look at online video consumption and advertising across the world. We forecast that online video viewing will rise 20% in 2017, driven by a 35% increase in viewing on mobile devices, while viewing on fixed devices (desktop PCs, laptops and smart TVs) will rise by just 2%. Meanwhile global expenditure on online video advertising will grow 23% in 2017, and in 2018 mobile video adspend will overtake fixed-device video adspend.






# About Zenith

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


Zenith
The ROI agency