



November 28th 2017

# Digital Trends 2018: Outlook for the Canadian Market



**Paul Briggs,**  
**Senior Analyst, Canada**

*For more information on this subject, see the related report at*

# What I'll Cover Today

## **Five** things to watch for next year

1. Artificial Intelligence
2. Neuromarketing
3. Digital Out-of-Home
4. Digital Listenership
5. Privacy

# **1. Artificial Intelligence**

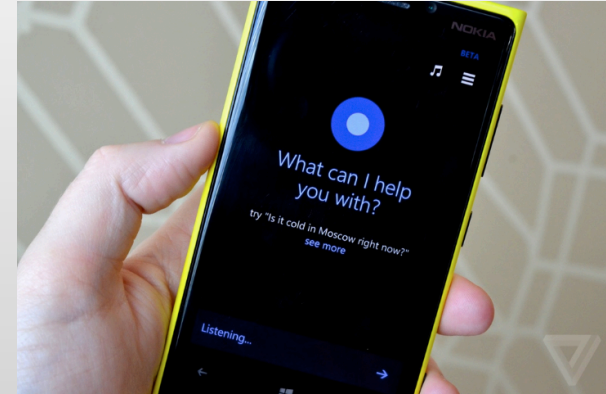
# AI is already a part of everyday life



**Self-Driving Cars**



**Fraud Detection**



**Digital Assistants**

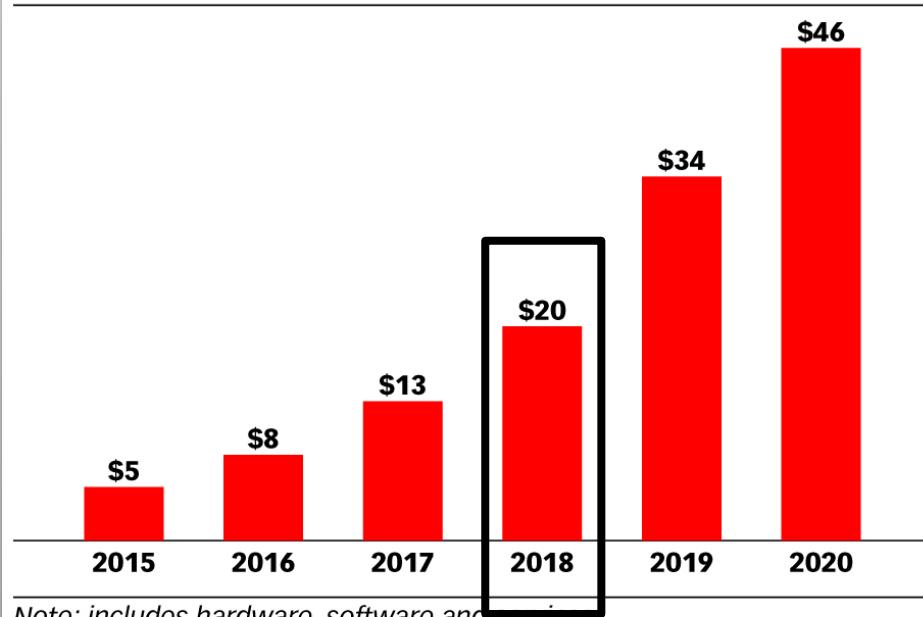
Image credits: Michael Shick/Wikimedia Commons, Pixabay, Tej3478/Wikimedia Commons



**IDC forecasts  
US\$20 billion  
will be spent  
worldwide in  
2018 on  
hardware,  
software and  
services  
related to AI**

**Cognitive/Artificial Intelligence (AI) Spending  
Worldwide, 2015-2020**

*billions*



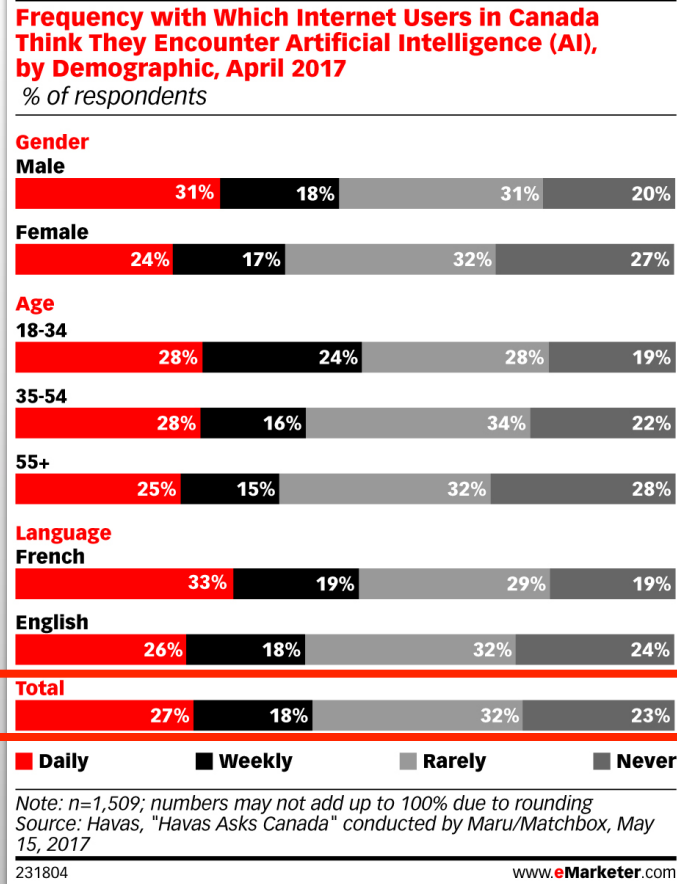
*Note: includes hardware, software and services*

*Source: International Data Corporation (IDC), "A Trillion-Dollar Boost: The Economic Impact of AI on Customer Relationship Management" sponsored by Salesforce, June 14, 2017*

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**Four in five  
internet users  
in Canada  
have heard of  
AI, and 27%  
said they  
encounter it  
every day**



# The No. 1 application of AI for consumers is questions and answers

## Ways in Which Internet Users in Canada Use Artificial Intelligence (AI) Devices, June 2017

% of respondents

### Questions and answers

60%

### News and information

46%

### Music and entertainment

43%

### Fun and games (e.g., jokes, Jeopardy)

34%

### To make lists

31%

### To shop/purchase items (e.g., Amazon)

28%

### Smart home (e.g., lights, thermostat, TV)

22%

### Help around the house (e.g., timers and alarms)

21%

Note: ages 18+ who own an AI device

Source: TSYS, "2017 Canadian Consumer Payment Study," Sep 15, 2017

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# The many faces of AI for marketing



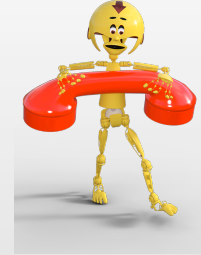
Marketing Intelligence



AI-Driven Advertising



Campaign Optimization



Call-Center Technology



Bots and Virtual Assistants



Smarter Search Interfaces



Recommender Systems



Content Creation

Image Credits: Pixabay, The Weather Company

**The majority  
of B2C  
marketers  
(78%) are  
either  
implementing  
or expanding  
AI in the next  
12 months**

**Artificial Intelligence (AI) Adoption Among B2C  
Marketing Technology Decision-Makers in North  
America\*, Aug 2017**

*% of respondents*

**Expanding or upgrading implementation**

**39%**

**Implemented, not expanding/upgrading**

**6%**

**Planning to implement in the next 12 months**

**39%**

**Interested but no plans to implement**

**10%**

**Not interested**

**1%**

**Decreasing or removing**

**5%**

*Note: n=150; \*88% of respondents were from the US*

*Source: Forrester Consulting, "The Machine On Your Team: New Study Shows How Marketers Are Adapting In The Age Of AI" commissioned by Ampler, Oct 5, 2017*

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# But chat bots have gained early traction

## ▪ **L'Oréal's Beauty Gifter**

- Facebook Messenger May 2017
- Proving ground before a planned global rollout
- Recommendations for products or gifts after text conversations with consumers



## ▪ **National Bank**

- Books appointments with advisors via Facebook Messenger



# Quote, Unquote



“ It's still **very, very early in the AI space**. Today you've got your early adopters that want to start learning ahead of their competitors. . . Markets go in three phases. There's the phase where nobody knows if it's going to work, the phase where everybody knows that it works, but only early adopters know how to make it work, and then there's mass adoption.”

—*Andy Mauro, CEO, Automat.ai*

## **2. Neuromarketing**



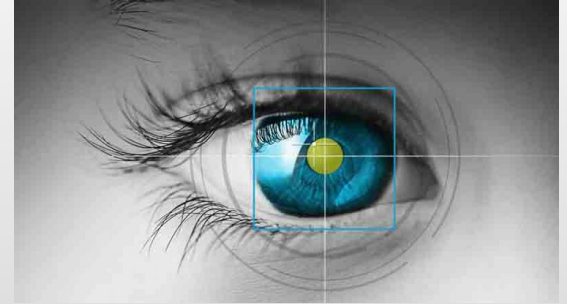
# Background

- **Neuromarketing is the application of neuroscientific research to marketing, advertising and content**
- **Makes up as much as 15% of marketing research budgets**
- **Nielsen's Consumer Neuroscience set the pace**
  - Acquired Innerscope Research (2015) and NeuroFocus (2011)
  - 18 neuroscientists on staff

# Nueromarketing research falls into two buckets

## ▪ **Biometrics**

- Eye tracking, heart rate monitors and skin response meters



## ▪ **Nuerometrics**

- Monitoring brain responses through portable electroencephalograms (EEGs) and functional magnetic resonance imaging (fMRIs).



# Biometrics Case: Email Message Eye Tracking

**Inbox Marketer** commissioned eye tracking tests via consumer webcams throughout 2017

**Findings:** 45% of time spent on opened email message is focused on the middle third of the message

**Conclusion:** Calls to action in the middle of the message

# Neurometrics Case: Print vs. Digital

**True Impact** research for Canada Post (July 2015) using EEGs compare print and digital

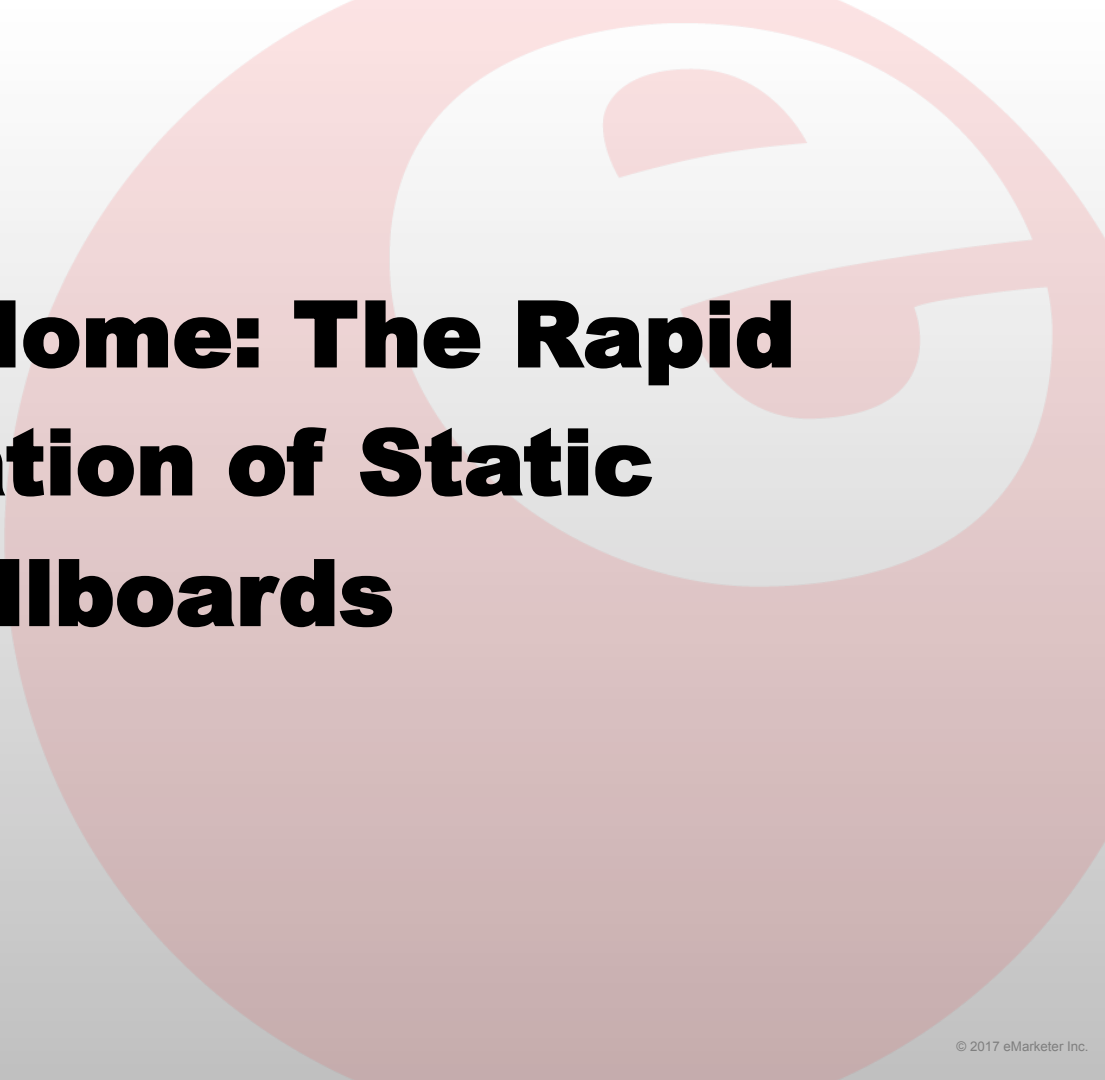
**Findings:** Printed direct mail required **21%** less cognitive effort to process; **20%** increase in motivation response, a measure of someone's likelihood to act

# Quote, Unquote



“Biometrics, by their nature, are unidirectional. It's great at telling you where people are looking, but it doesn't necessarily mean that they're looking at a region because they like it, or because they're intrigued by it, or disgusted. And then that's when we introduce neurometrics, as **a second layer to add some dimensionality.**”

—*Diana Lucaci, CEO, True Impact*

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# **3. Out-of-Home: The Rapid Digitization of Static Billboards**



# DOOH Facts & Figures

**Statista estimates that DOOH advertising in Canada will reach **\$112 million** in 2018, up 15.4% from this year**

**eMarketer's 2018 estimate for total out-of-home in Canada is **\$612.2 million****

**Approximately **10%\*** of the billboards in Canada are digital**

\*Outdoor Marketing Association of Canada



**Billboards still  
account for  
the bulk of  
OOH ad  
revenues  
globally**

**Out-of-Home Ad Revenue Share in Canada vs.  
Worldwide, by Segment, 2016**

% of total

**Billboard**



**Transit**



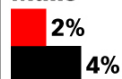
**Street furniture**



**Place-based\***



**Malls**



■ Canada

■ Worldwide

*Note: \*arenas, gas stations, gyms, offices, taxis, etc.*

*Source: Magna Global, "Why Out-of-Home Outperforms" in partnership with Rapport, Aug 8, 2017*

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# DOOH Growth Drivers

## 1. Mobile Audience Data

- Foot traffic, vehicle volumes, Points of Interests

## 2. Embedded Tech

- Facial recognition, eye tracking

## 3. Programmatic Buying

- Campsite project

## Discover Canada's largest Network

MARKET

**Toronto** >

Montréal

Toronto

ENVIRONMENT

All v

Vancouver

Halifax

Ottawa

Quebec

Calgary

Edmonton



660

Venues Available



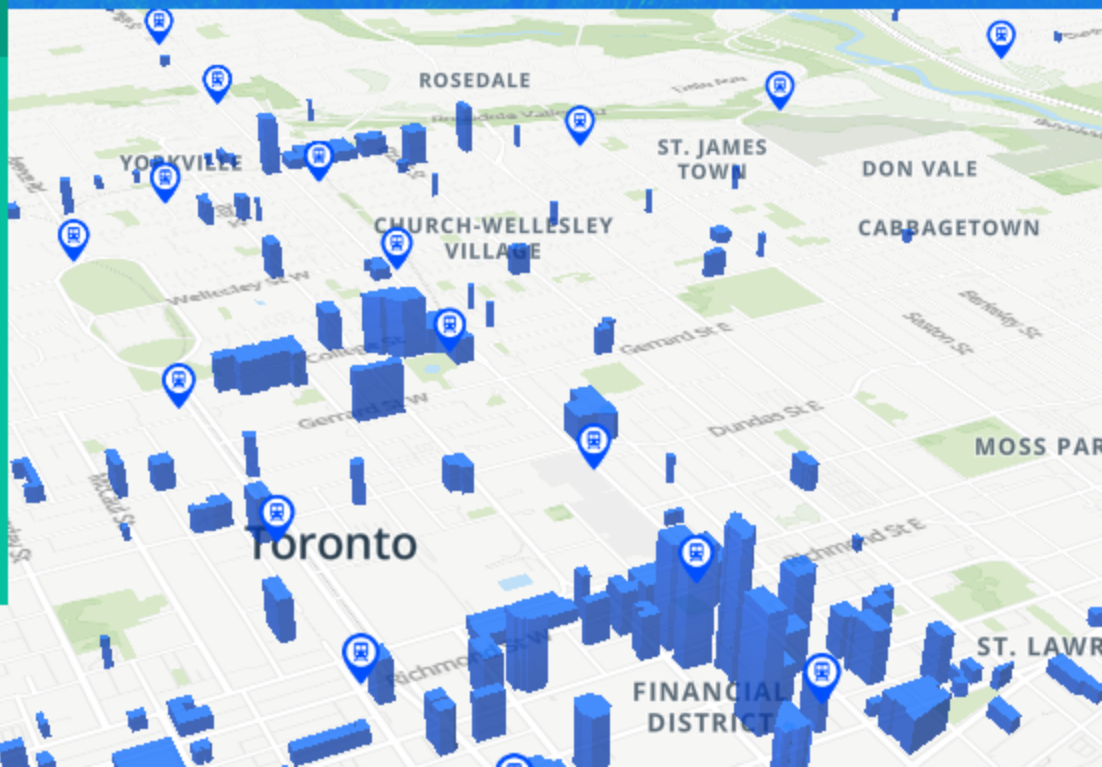
1,522

Screens Available



7,498,602

Weekly Traffic



# Quote, Unquote



“What will **accelerate digital investment is data**. We’re working with a lot of partners to understand traffic flow and demographic flow in real time.”

—*Cam Milne, Vice President and General Manager of Place-based Media, Pattison Outdoor Advertising*

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# **4. The Evolution of Digital Listening**

# Radio is still strong...

eMarketer estimates adults  
in Canada will spend nearly  
**93 minutes a day** with  
radio in 2017  
down 2.8% from last year



...but there is massive growth in both subscription and ad-supported audio streaming

**Ad-Supported vs. Subscription Audio Streams\* in Canada, H1 2016 & H1 2017**

*billions and % change*

|              | H1 2016     | H1 2017      | % change     |
|--------------|-------------|--------------|--------------|
| Subscription | 6.69        | 13.44        | 100.7%       |
| Ad-supported | 2.83        | 4.03         | 42.5%        |
| <b>Total</b> | <b>9.53</b> | <b>17.47</b> | <b>83.4%</b> |

*Note: numbers may not add up to total due to rounding; \*on-demand  
Source: BuzzAngle Music, "Mid-Year 2017 Canada Music Industry Report,"  
July 4, 2017*

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# Subscription Audio Streaming Shares\*

**Penetration rate of subscription audio streaming in Canada was **32%** in spring 2017, up 18.5% from a year earlier**

- |    |                   |            |
|----|-------------------|------------|
| 1. | Spotify           | <b>16%</b> |
| 2. | Google Play Music | <b>8%</b>  |
| 3. | Apple Music       | <b>8%</b>  |
| 4. | SoundCloud        | <b>6%</b>  |

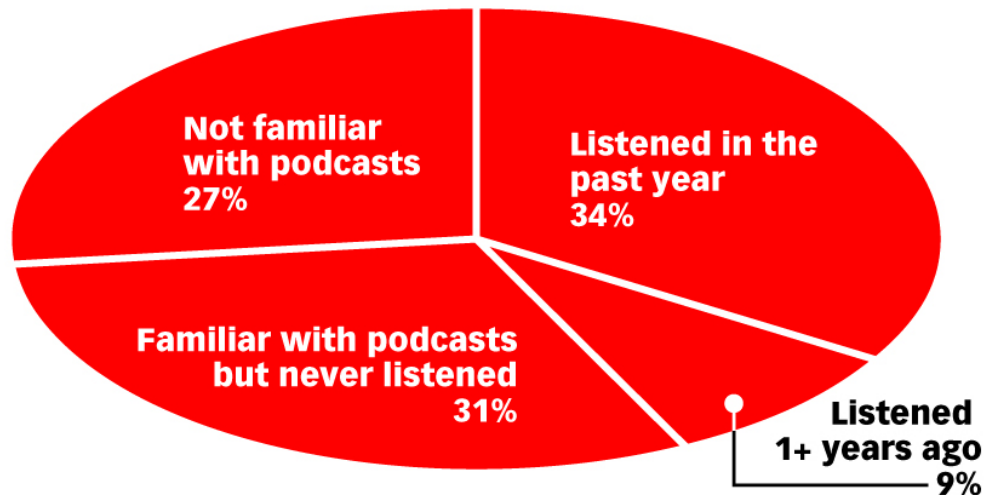
\*Media Technology Monitor, Spring 2017



# Digital audio listening time is getting a boost from podcasts

## Internet Users in Canada Who Have Listened to/Are Familiar with Podcasts, Summer 2017

% of respondents



Note: n=2,518 ages 18+; numbers may not add up to 100% due to rounding  
Source: Audience Insights, "The Canadian Podcast Listener - A Landscape Study" in partnership with Ulster Media and with support from The Globe and Mail, Oct 26, 2017

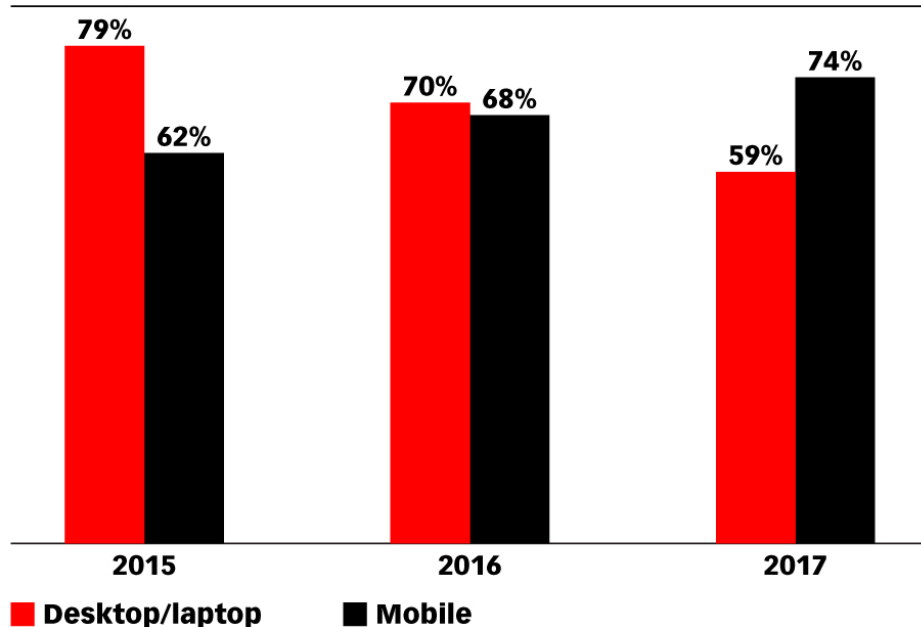
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**Listening to  
podcasts is  
primarily done  
via mobile**

**Devices Used by Podcast Listeners Worldwide to  
Watch/Listen to Podcasts, 2015-2017**

% of respondents



*Note: n=22,879 ages 16-64; in the last month*

*Source: GlobalWebIndex as cited in company blog, July 21, 2017*

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# Podcast Ad Units and Opportunities

- **“Stitched-In”**
  - Pre- end mid-roll
- **Live Read**
  - 10x CPMs as stitched in
- **Branded Content**
  - E.g. Gatorade’s “Secret to Victory”

# Podcast Advertising



“When we first started doing the meetings with brands and with agencies, they didn’t understand or trust the metrics for podcasts. We weren’t in their budgets for last year, **but now we’re in the planning budget** for several of the big agencies starting January 2018.”

—*Stuart Cox, Executive Producer, Antica Podcast Network (Entertainment One)*

## **5. The Primacy of Privacy**



**According to Mintel, just 22% of residents in Canada agree that businesses do a good job of protecting their customers' personal information, and only 42% trust stores to protect their payment information**

# Digital literacy is fairly strong in Canada

## Internet Users in Canada Who Are Familiar with Select Aspects of Digital Interest-Based Advertising, May 2016 & June 2017

% of respondents

### Specific ads are served-based on browsing



### Data is used to guess my interests



### Data about me is collected online



### Ads support free services



■ May 2016

■ June 2017

Note: May 2016 n=1,000; June 2017 n=994; ages 18-64  
Source: Digital Advertising Alliance of Canada (DAAC), "AdChoices Consumer Awareness: Key Research Findings 2017" conducted by Synqrinus, Sep 28, 2017

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**But  
awareness  
about the  
rules and  
regulations of  
digital ad and  
influencer ad  
regulations is  
fairly low**

**Internet Users in Canada Who Are Aware of Rules and Regulations on Digital Ads vs. Influencer Ads, July 2017**

*% of respondents*

**Digital ads**



**Influencer ads**



**Any advertising**



■ Yes

■ No

■ Don't know

*Note: n=1,526 ages 18+; numbers may not add up to 100% due to rounding  
Source: Advertising Standards Canada, "Consumer Perspectives on Advertising 2017" conducted by The Gandalf Group, Oct 25, 2017*

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# CASL – The Benefits

- **Inbox Marketer:** Reports for the CRTC show that email metrics in Canada (unsubscribe rates, complaint rates, bounce rates, open rates) had improved across the board since CASL's inception.
- **Return Path's 2017 Deliverability Benchmark Report:** Canada had one of the best deliverability numbers globally, with 90% inbox placement, well above the worldwide average and ahead of the US rate of 77%.

# CASL – The Costs

- **Pro-business lobby: “CASL is draconian, and needs to be fixed”**
- **Claims that Canadian companies are at a disadvantage because CASL overreached its aims:**
  - Most stringent compliance requirements in the world
  - Too broad definition of commercial electronic messages (CEMs) in the law
- **A statutory review of CASL was scheduled for fall 2017 and is ongoing**

# Quote, Unquote



**“Our databases aren’t set up that way.**

The Canadian marketer is going to be in for a surprise beginning next year.

The privacy requirements are only going to get tougher.”.

*—Derek Lackey, President, Direct Marketing Association of Canada*

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# **Thanks!**

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