

Digital Trends 2018: Outlook for the Canadian Market



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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



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Helping the courageous overcome the impossible.

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encourage courage

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The Little Black Book of Billionaire S

Why Montreal Has Emerged As An Artificial Intelligence Powerhouse



Peter High, CONTRIBUTOR

null [FULL BIO](#) ✓

Opinions expressed by Forbes Contributors are their own.

Yoshua Bengio is one of the foremost thinkers in a field within artificial intelligence known as artificial neural networks and deep learning. Although significant progress has been made in recent years



Hiscox business insurance for the courageous

I'mpossible

Hiscox customer Alicia Igeess went from homeless to celebrity stylist.

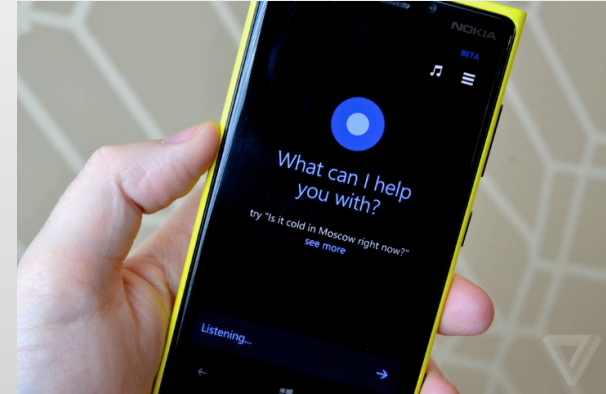
AI is already a part of everyday life



Self-Driving Cars



Fraud Detection



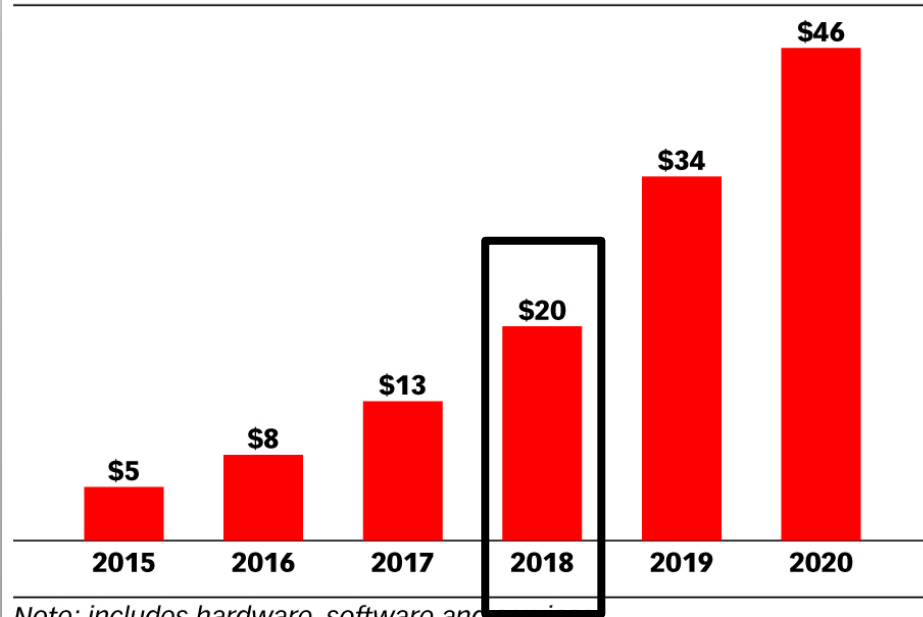
Digital Assistants

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



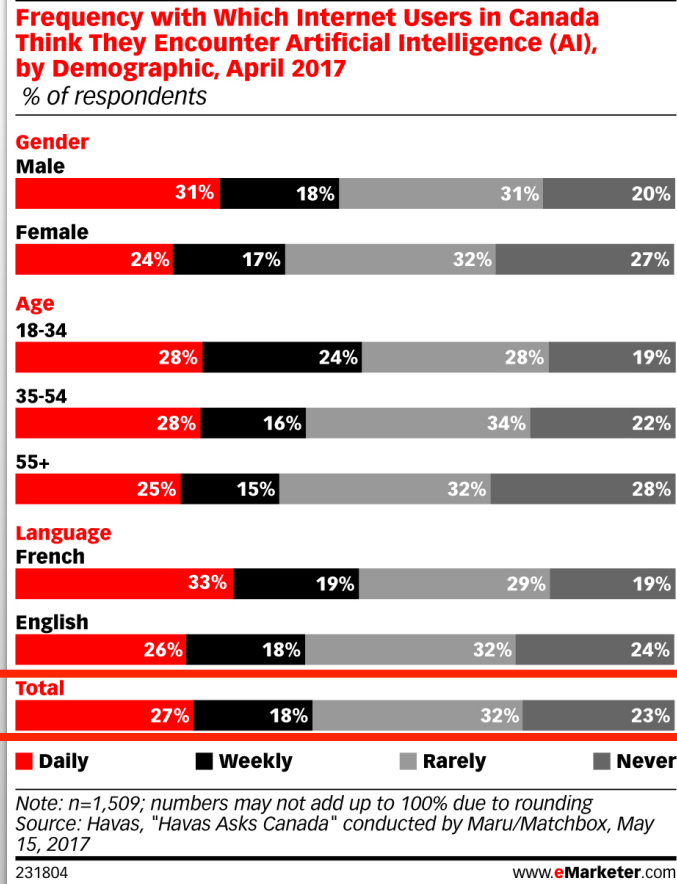
Note: includes hardware, software and services

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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AI for marketing



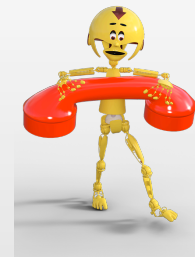
Marketing Intelligence



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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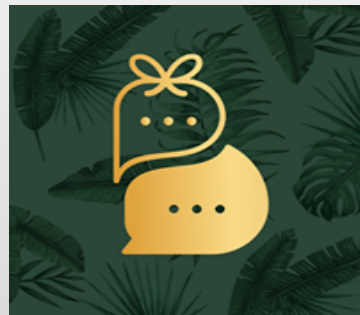
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But chat bots have gained early traction (especially in Quebec!!!)

- **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

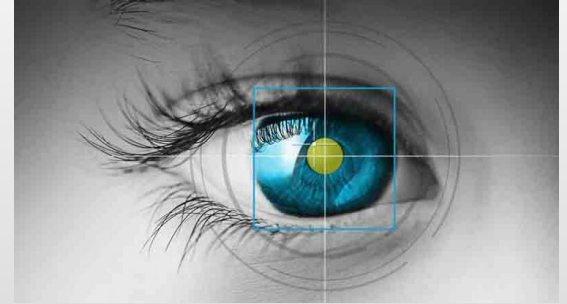
Background

- **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*

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



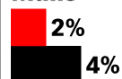
Street furniture



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



<http://www.campsiteproject.com/>



MSN.com - Hotmail, Outlook, ...



Campsite is the programma... x

Discover Canada's largest Network

MARKET

Montréal

ENVIRONMENT

All



165

Venues Available



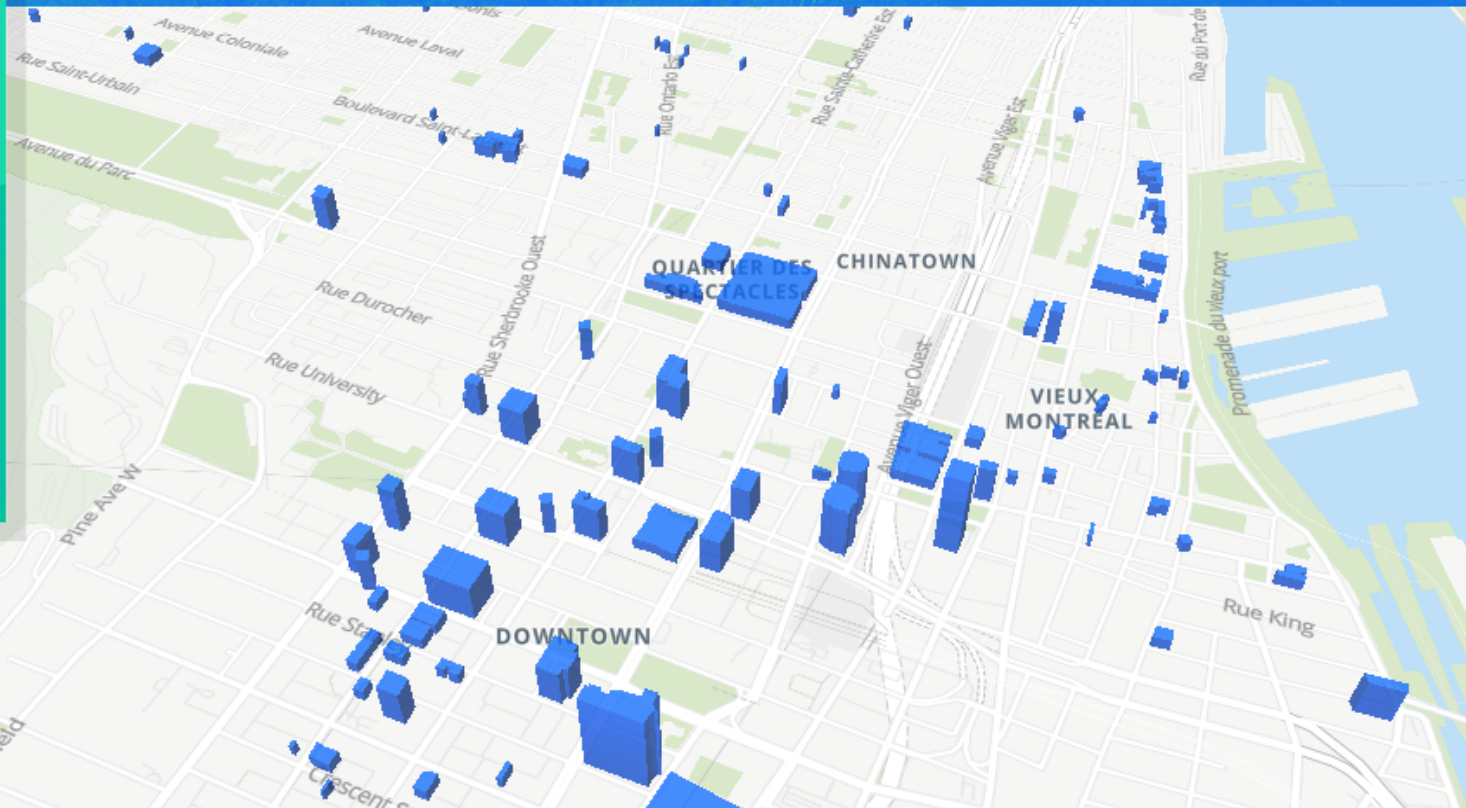
463

Screens Available



518,175

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

A large, light pink, stylized letter 'e' logo is positioned in the upper right background of the slide. The 'e' is composed of a thick, rounded stroke, with a small gap at the top. It is set against a light gray gradient background.

4. The Evolution of Digital Listening

Radio is still strong...

eMarketer estimates adults
in Canada spent 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%
Total	9.53	17.47	83.4%

*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**

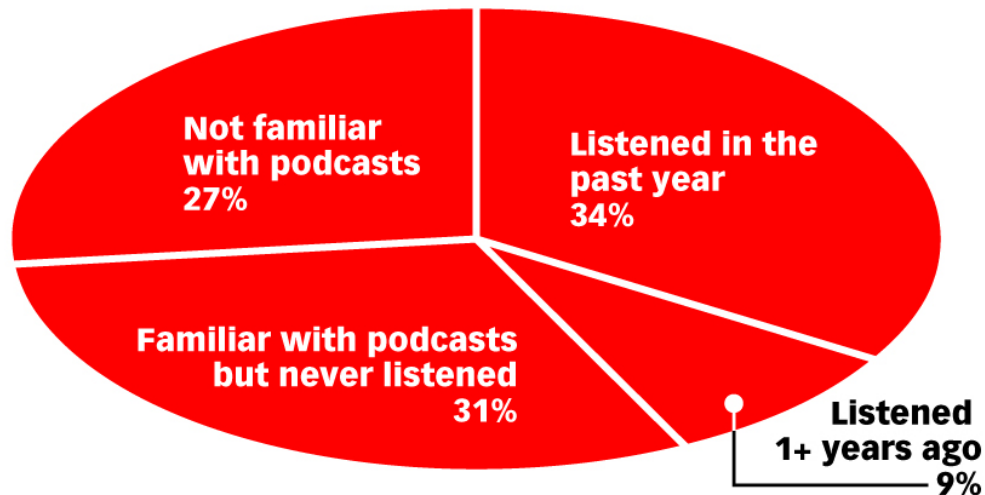
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|----|-------------------|------------|
| 1. | Spotify | 16% |
| 2. | Google Play Music | 8% |
| 3. | Apple Music | 8% |
| 4. | SoundCloud | 6% |

*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

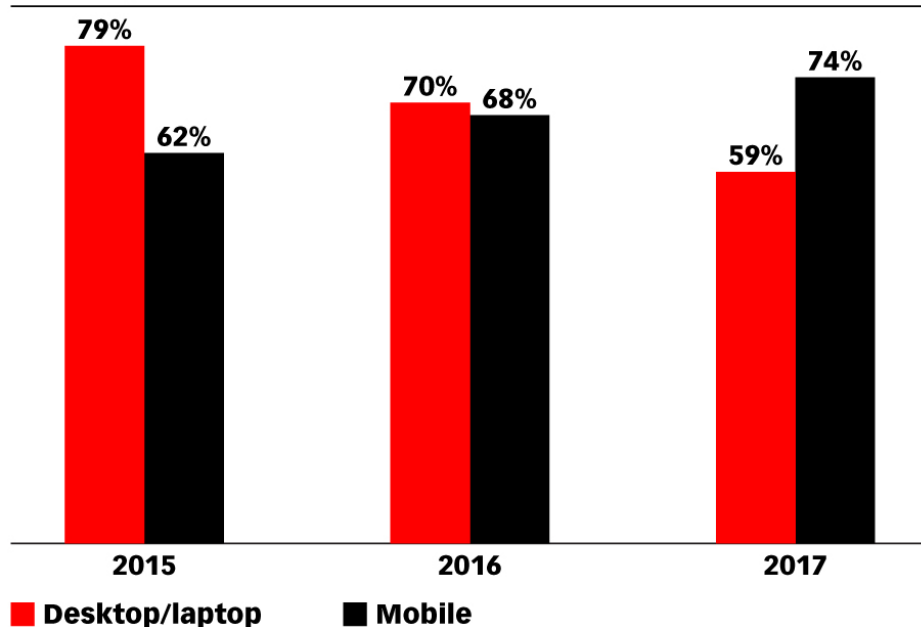
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**Listening to
podcasts is
primarily done
via mobile**

**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”

Quote, unquote



“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 is ongoing**

Quote, Unquote



“Our databases aren’t set up that way.

The Canadian marketer is going to be in for a surprise this 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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