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DIGITAL MARKETING TRENDS 2019 ROUNDUP

May 2019

People routinely refer to the digital era as one of rapid change. But it's more accurate to say the pace is uneven. This Roundup includes data, insights and interviews on the latest trends impacting digital ad spending and key happenings across marketing channels.

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Moxie is the leader in guided commerce, changing the way brands interact with their customers. Moxie's digital platform anticipates what customers need and guides them through the online journey with proactive, useful snippets of information—without the need for human assistance. More than 600 of the world's leading brands in financial services, healthcare, high-tech, retail, travel and hospitality rely on Moxie to drive an intuitive customer experience while increasing conversion and revenue. To learn more, please visit **www.gomoxie.com.**

OVERVIEW

This year will mark a major milestone in the world of advertising. For the first time, digital ad spending will exceed traditional ad spending in the US, according to eMarketer's latest forecast. By 2023, digital will surpass two-thirds of total media spending.

Digital Ad Spending

Total digital ad spending will grow 19% to $129.34 billion in 2019—54.2% of total US ad spending. Mobile will continue its dominance, accounting for more than two-thirds of digital ad spending, at $87.06 billion.

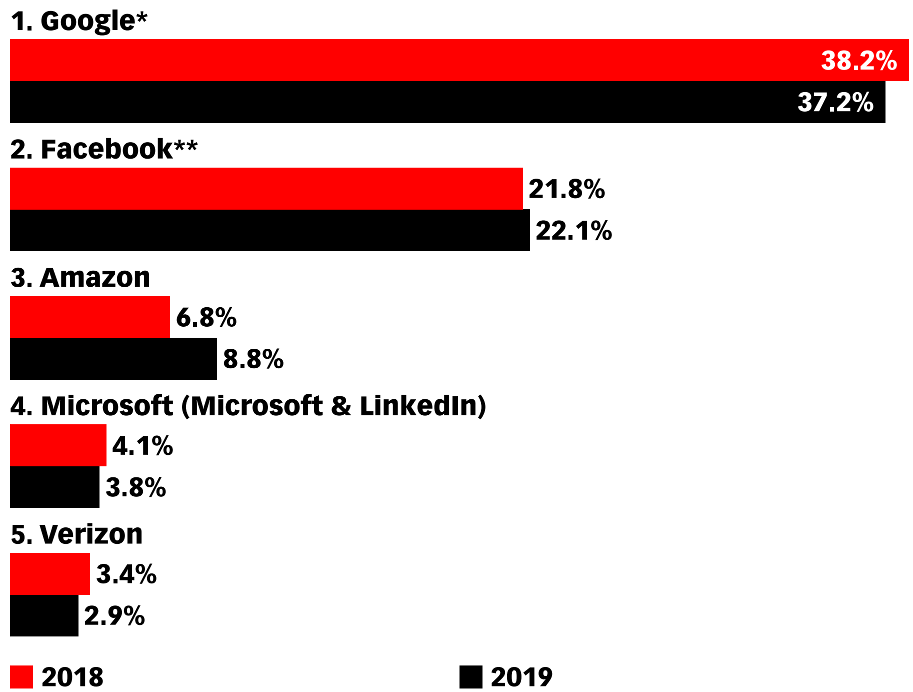
Also for the first time, the combined share of the duopoly (Google and Facebook) will drop, even as their revenues grow.

The big winner will be No. 3 player Amazon, which continues to take share from just about everyone. Its US ad business will grow more than 50% this year, and its share of the US digital ad market will swell to 8.8%.

"Amazon offers a major benefit to advertisers, especially CPG and direct-to-consumer [D2C] brands," said eMarketer forecasting director Monica Peart. "The platform is rich with shoppers' behavioral data for targeting and provides access to purchase data in real time. This type of access was once only available through the retail partner to share at their discretion. But with Amazon's suite of sponsored ads, marketers have unprecedented access to the 'shelves' where consumers are shopping."

Top 5 Companies, Ranked by US Net Digital Ad Revenue Share, 2018 & 2019

% of total digital ad spending



*Note: US total digital ad spending in 2019=$129.34 billion; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; *includes YouTube advertising revenues; **includes Instagram advertising revenues*

Source: eMarketer, Feb 2019

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Traditional Ad Spending

Directories, such as the Yellow Pages, will take the biggest hit this year—down 19%. Traditional print spending (which includes newspapers and magazines) will be a close second, dropping nearly 18%. Overall, traditional ad spending's share in the US will drop to 45.8% from 51.4% in 2018.

"Consumers' steady shift to digital platforms has hit an inflection point with advertisers," Peart said. "It's forced them to turn to digital, to seek the incremental gains in reach and revenues which are disappearing in traditional media advertising."

"Consumers' steady shift to digital platforms has hit an inflection point with advertisers."

Monica Peart
Senior Director, Forecasting, eMarketer

We forecast that TV ad spending will decline 2.2% to $70.83 billion. This is mainly because there are no elections or big events this year, such as the Olympics or FIFA World Cup soccer tournament. The 2020 presidential election will propel TV ad spending back into positive growth, before falling again in the following years.

Now that we've set the scene for the market, the following articles feature some of our latest forecasts and reflect recent key trends impacting digital marketing.

US Traditional Media Ad Spending Growth, 2019
% change

*Note: *excludes off-air radio and digital; **excludes digital; ***print only, excludes digital*
Source: eMarketer, Feb 2019
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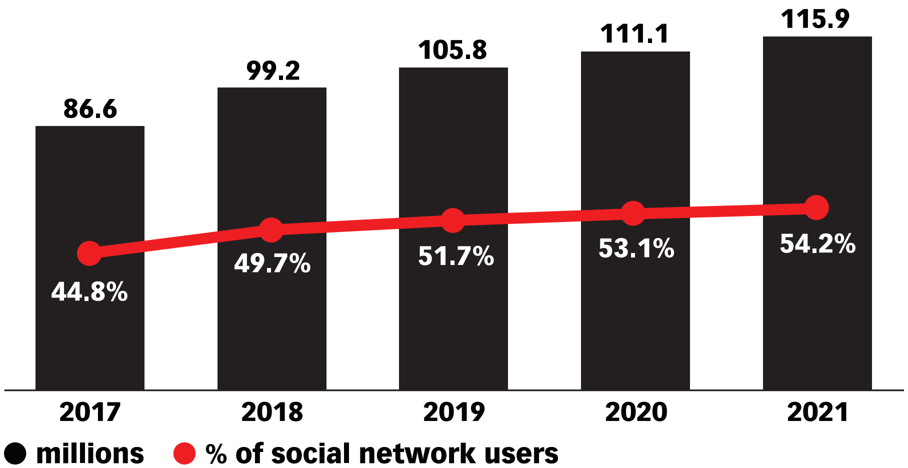
MORE THAN HALF OF US SOCIAL NETWORK USERS WILL BE MOBILE-ONLY IN 2019

Fewer people in the US are accessing social media sites through desktops or laptops, as the majority of users are now exclusively doing so on mobile devices. We forecast that 51.7% of US social network users will be mobile-only in 2019.

Mobile-Only Social Network Users
US, 2017-2021



Source: eMarketer, March 2019

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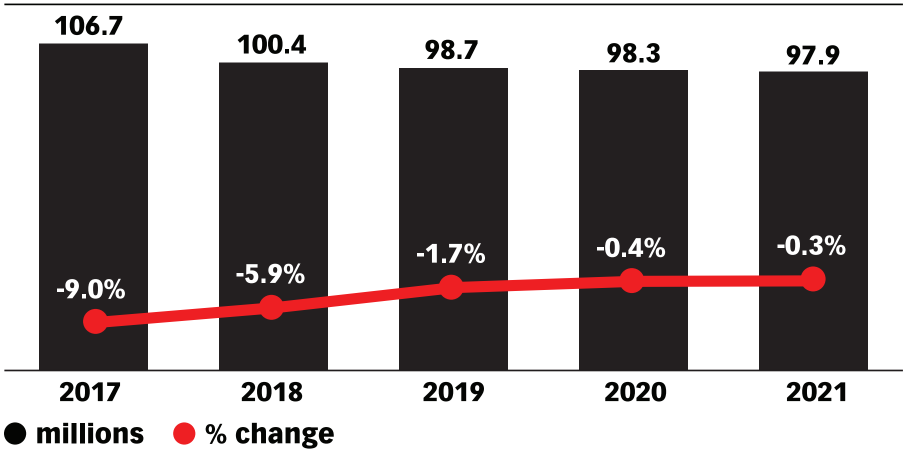
What's causing this trend?

As smartphone usage rises, fewer US consumers are using PCs to access the internet. The number of smartphone users will reach 232.8 million in 2019, surpassing desktop/laptop internet users (228.9 million) for the first time. And the number of those who access the internet exclusively on a mobile device will grow by 10.6% to 55.1 million.

But social network users have been largely mobile-exclusive for years. While they may use PCs for school or work activities, their social media use is contained to tablets and mobile phones.

We expect the social network audience on desktops/laptops will decrease by 1.7 million in 2019.

Desktop/Laptop Social Network Users
US, 2017-2021



Source: eMarketer, March 2019

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Looking at individual platforms, the majority of US Facebook users have been mobile-only since 2016. This year, we estimate, 66.3% of them will access the platform exclusively on a mobile device. Twitter will also continue to have a healthy share of mobile-only users, at 22.9 million, or 43.1% of its US users.

Then there are the networks that are mobile-only themselves. Instagram, which can be accessed via desktop browsers but lacks essential features like the ability to post content, is the second-most-popular network in the country, with 106.7 million users. Snapchat—another network that's essentially mobile-only—will have 77.5 million US users this year.

How are marketers responding to the shift?

The vast majority of Facebook's ad revenues have come from mobile since 2014. Its mobile revenues will continue to grow, reaching 94.0% of total ad revenues this year, and rumors have abounded that the company will increasingly look to "mobilize" its platform in the future.

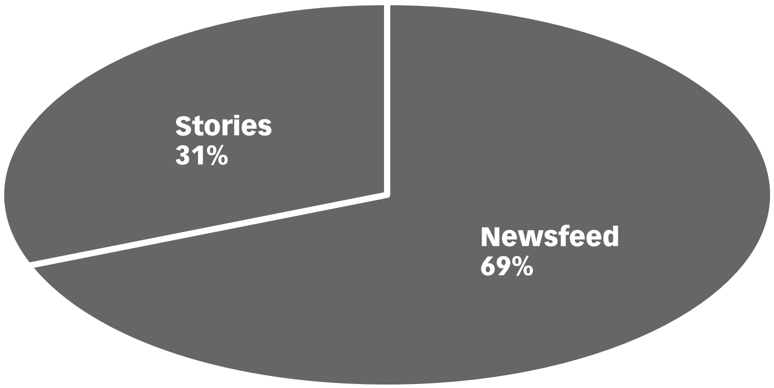
Marketers are also very interested in native mobile ads in Stories. In the three years since Instagram launched the feature, advertising through Stories now makes up a large chunk of its ad business. Again, given the aspect ratio of Stories, it requires an ad placement that has little use anywhere outside mobile.

But marketers are investing. According to a 2018 survey of US senior ad buyers conducted by Cowen and Company, nearly a third of all Instagram ad budgets have gone to Stories.

And investments in mobile-only social media strategies will continue. Sixty-four percent of companies worldwide have looked to adopt Instagram Stories, per a survey conducted in Q3 2018 by social media management platform Hootsuite.

Additionally, 57% of companies polled by Hootsuite planned to include mobile-first content in their social media tactics this year.

Instagram Ad Budget Allocated to Newsfeed vs. Stories According to US Senior Ad Buyers, 2018
% of total



Source: Cowen and Company, "Ad Buyer Survey VII: Advertisers More Bullish on 2019 US Ad Spend, Led by Digital Video Ascendancy," Jan 10, 2019

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BREAKING DOWN MOBILE VIDEO AD SPENDING

In 2019, US advertisers will spend two-thirds of their digital ad budgets on mobile placements. Mobile ad spending has taken the majority of digital spending every year since 2015, and both search and display spending skew heavily mobile. But even though it falls under the display umbrella, video is the only digital ad format where more ad dollars are spent outside mobile channels.

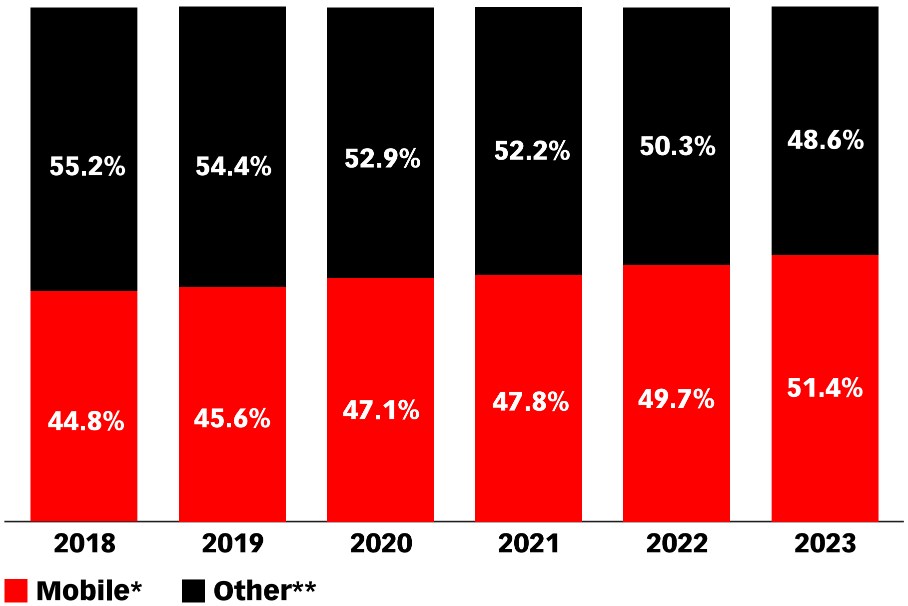
US advertisers will spend an estimated $16.41 billion on mobile video advertising (45.6% of total digital video ad spend) this year, and $19.59 billion on video elsewhere.

One big exception to the nonmobile skew of video ad spending is social video, of which 93% will go toward mobile placements. That's largely because the overwhelming majority (94%) of Facebook's ad revenues come from mobile spending.

The initial shift to a mobile-dominated digital ad market was largely driven by display advertising, which made up 44.6% of US digital ad spending in 2015. That year, mobile display spending grew 62.9% to $15.71 billion. This was also the year mobile commanded more than half of total digital ad dollars. Search ad spending caught up in 2016 with more than $20 invested in mobile ads, a 45.4% increase year over year.

These days, the $36-billion video ad industry remains the only outlier in this respect, and the reason is simple: the rise of over-the-top (OTT) TV advertising. We don't break out OTT ad spending from the nonmobile total, but, for example, Hulu is expected to gross nearly $2 billion this year in ad revenues.

US Digital Video Ad Spending Share, by Device, 2018-2023
% of total



*Note: *includes advertising that appears on mobile phones, tablets and other mobile internet-connected devices; **includes advertising that appears on desktop and laptop computers and other nonmobile internet-connected devices*
Source: eMarketer, Feb 2019

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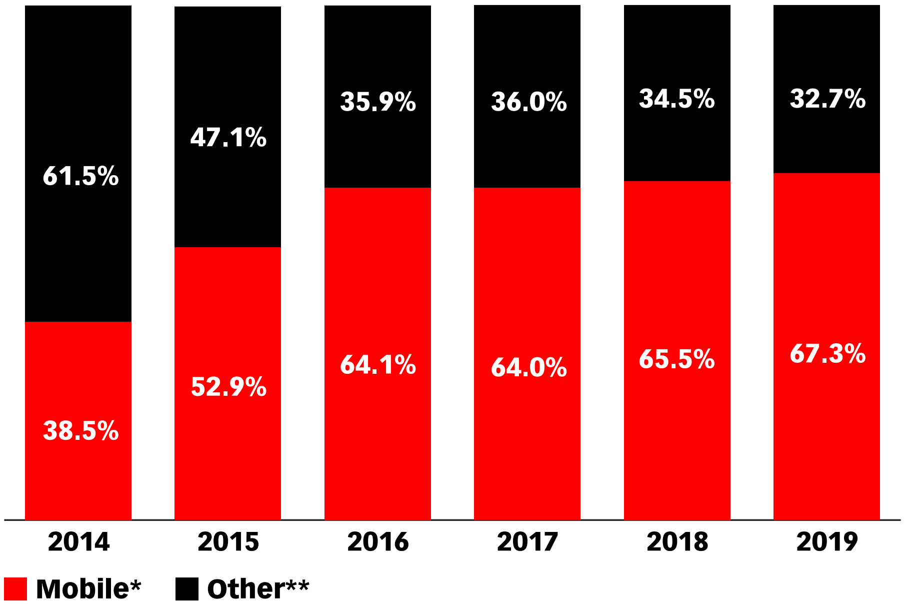
The $36-billion video ad industry remains the only outlier, and the reason is simple: the rise of OTT TV advertising.

According to data from Extreme Reach, 44% of digital video ad impressions the company serviced in Q4 2018 went to connected TVs. And connected TV could play an even larger role in the video ad market if ad-supported streaming continues to expand. The Roku Channel, launched in 2017, offers free ad-supported content to Roku's 22 million users. Amazon, which already owned Twitch, further expanded into the ad-supported streaming market this year with IMDb Freedive. And the expected launch of NBCUniversal's streaming service in 2020 will bring another major player to the ad-supported OTT market.

Some of this content is being viewed on mobile devices, according to Q3 2018 data from video measurement and intelligence platform Conviva. But 56% of time spent viewing OTT video worldwide is on connected TV.

While mobile video ad spending will continue to grow in the US, the nonmobile segment will remain a healthy component of the video ad market—as long as ad-supported OTT services remain prevalent.

US Digital Ad Spending Share, by Device, 2014-2019
% of total



*Note: *includes advertising that appears on mobile phones, tablets and other mobile internet-connected devices; **includes advertising that appears on desktop and laptop computers and other nonmobile internet-connected devices*
Source: eMarketer, Feb 2019

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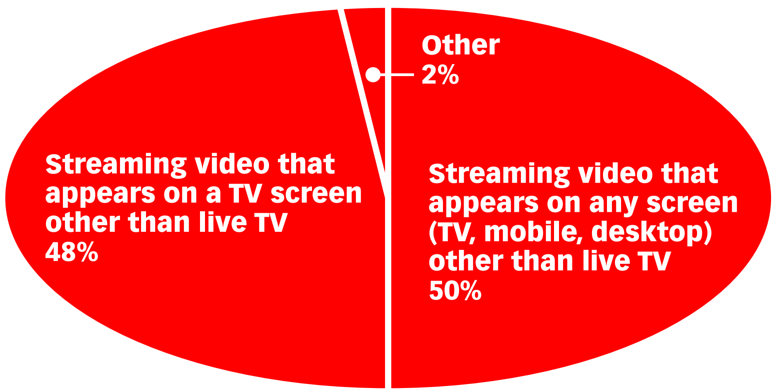
MARKETERS ARE SPLIT ON HOW THEY DEFINE OTT

Marketers are having trouble agreeing on a set definition of over-the-top (OTT) video.

In an Interactive Advertising Bureau (IAB) and Advertiser Perceptions poll, half of US marketers defined OTT as streaming video other than live TV that appears on any screen (mobile, PC, TV, etc.). And 48% of respondents defined OTT as streaming video other than live TV that appears exclusively on a TV screen.

How Do US Agency and Marketing Professionals Define Over-the-Top (OTT) Video*?
% of respondents, March 2019



*Note: *for ad-buying purposes*
Source: Interactive Advertising Bureau (IAB), "Digital Content NewFronts: 2019 Video Ad Spend Report" conducted by Advertiser Perceptions, April 29, 2019

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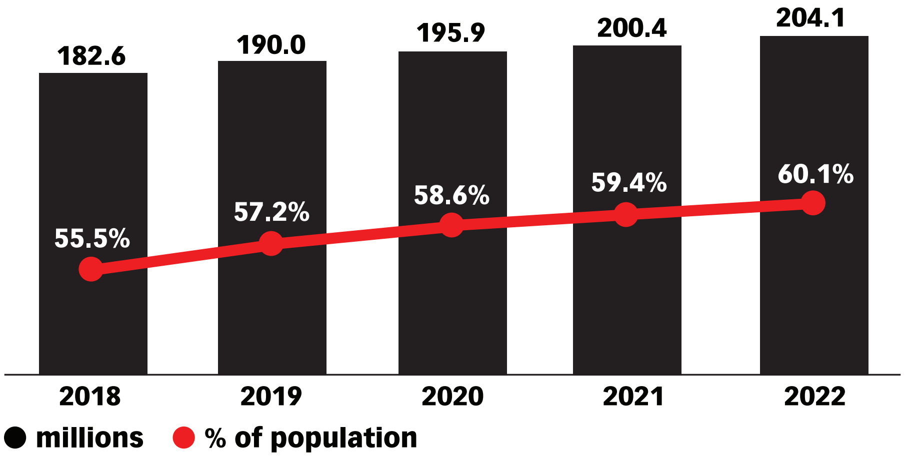
We define OTT as video that's delivered over the internet independently of a traditional pay TV service, irrespective of device. We forecast that 61.7% of the US population will use OTT services this year.

Connected TV, by contrast, refers specifically to video watched on a TV set with internet connectivity. The video can be served via smart TV or another device such as a Blu-ray player, game console or set-top box like Roku or Google Chromecast. Connected TV refers to a device—rather than a service—making it a subset of OTT by these definitions. We forecast that 57.2% of the US population will be connected TV users this year.

Connected TV Users
US, 2018-2022



Source: eMarketer, March 2018

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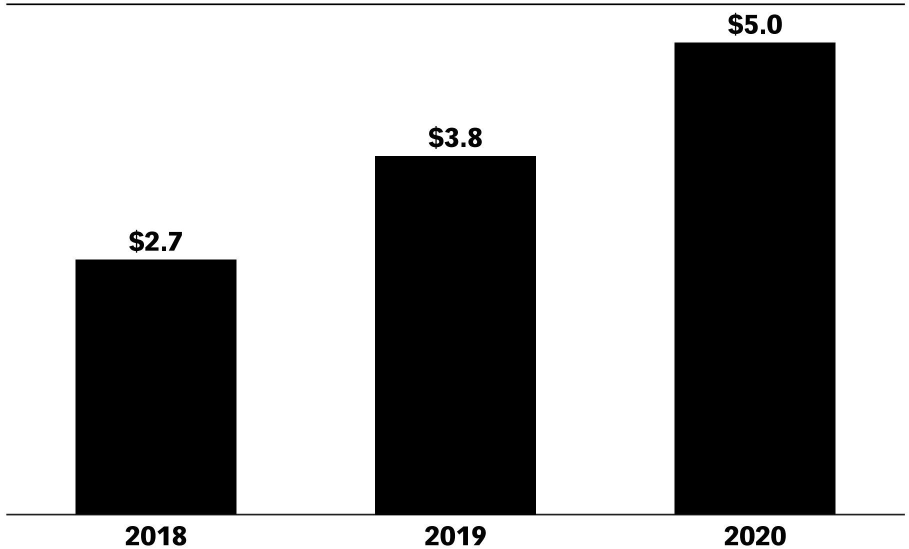
IAB's study shows how marketers use OTT and connected TV interchangeably. Similar to how marketers are split in their definitions of the term "in-housing," the meaning that marketers assign to OTT varies considerably.

Imprecise jargon adds a communication barrier. For instance, the subset of OTT for live programming is referred to interchangeably as skinny bundles, linear OTT or vMVPD (virtual multichannel video programming distributor). The lack of agreed-upon definitions for OTT and its subsets adds another layer of complexity for marketers as they aim to merge their TV and digital video strategies.

While it's possible that confusion over definitions could impede investment, OTT ad spend is growing quickly. In September 2018, IPG's research unit, Magna Intelligence, forecast that $2 billion would be spent on OTT ads in the US, a 40% year-over-year increase. But in April 2019, Magna revised its figures to show US OTT ad spend grew 54% year over year to $2.7 billion.

Under Magna's adjusted forecast, US advertisers will spend $3.8 billion on OTT this year and $5.0 billion by 2020.

US Over-the-Top (OTT) Video Ad Spending, 2018-2020
billions



Source: Magna Intelligence, "Magna Advertising Forecast (Spring 2019)" as cited by MediaPost, April 5, 2019

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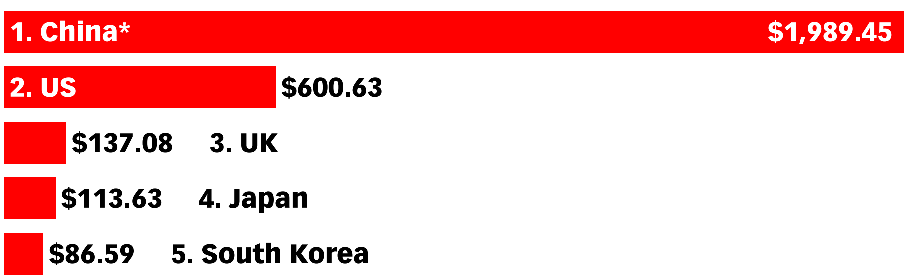
WHAT'S DRIVING THE TOP FIVE RETAIL ECOMMERCE MARKETS WORLDWIDE?

eMarketer estimates that global retail ecommerce sales will reach roughly $3.563 trillion this year, and the top five retail ecommerce markets will account for more than 82% of that total. By the end of 2022, these markets will represent more than 85% of retail ecommerce sales worldwide.

China's retail ecommerce sales will grow more than 30% to nearly $2 trillion in 2019—over half of the worldwide total. Behind China, the retail ecommerce market in the US will reach $600.63 billion in sales, growing nearly 15% year over year.

Top 5 Countries, Ranked by Retail Ecommerce Sales, Feb 2019
billions



*Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments (such as bill pay, taxes or money transfers), food services and drinking place sales, gambling and other vice good sales; *excludes Hong Kong*
Source: eMarketer, March 2019

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In the UK, sales will reach $137.08 billion—up nearly 11% over 2018. Retail ecommerce sales growth in Japan and South Korea will rise 4.0% and 11.1%, respectively.

Each of these countries' current share of global retail ecommerce is influenced by growth in exports, as well as heavily entrenched methods for online payments—Alibaba with Alipay in China, Amazon with high credit card use in the US, and Rakuten with Rakuten Pay in Japan. Additionally, the continued expansion of luxury goods being sold online has played a supporting role.

But what's driving the individual growth of each country?

China has the highest ecommerce share of total retail sales worldwide, at 55.8%. This is partly due to its large population of 1.4 billion and the explosive growth of its middle class. China's recent growth is driven predominantly by rural shoppers coming online as their incomes rise.

"China's ecommerce landscape is dotted with powerful pure-play etailers like Alibaba and JD.com, as well as traditionally offline players such as Suning and Gome," eMarketer senior forecasting director Monica Peart said. "Across the country, each ecommerce platform attracts different customers looking for specialization in certain product categories, or consumers from the more or less urbanized regions, making for a very diverse field."

Growth in the US will be driven by high-performing retail ecommerce categories like computer and consumer electronics as well as apparel and accessories.

Growth in the US will be driven by high-performing retail ecommerce categories like computer and consumer electronics as well as apparel and accessories. This year, computer and consumer electronics will reach $130.29 billion in retail ecommerce sales and account for 21.7% of total retail ecommerce sales. Figures for the apparel and accessories category will be $122.76 billion and 20.4%. By the end of our forecast period, computer/consumer electronics and apparel/accessories will reach $190.31 billion and $181.20 billion in sales, respectively.

In the UK, sales growth will come from Amazon's burgeoning presence in the country's neighboring markets. As Amazon gains more traction across Europe, it is likely the platform's sales will ultimately benefit overall consumerism in the UK.

Prime is at the core of Amazon's European expansion. Periscope By McKinsey found that more than half of internet users in Italy, Germany and the UK had a Prime account as of July 2018.

Japan's 4.0% growth this year is the smallest of the top five retail ecommerce markets, largely because of the country's slower domestic demand from its aging population. However, Japan is famously an export market of some of the world's top electronics brands like Sony, and the nation's upward movement in export demand has potential to push retail ecommerce growth.

South Korea's retail ecommerce market has been well-established by both domestic sales and exports of its beauty products and electronics. But with domestic demand-based limitations similar to those in Japan, South Korea can expect continued growth in exports to its Southeast Asian neighbors. This will occur as incomes rise in those countries and buyers there become more comfortable with online shopping.

"Retail ecommerce growth is still very robust globally, growing at roughly four times the rate of overall retail sales," Peart said. "Incomes will continue to rise across the globe, which will fuel online shoppers' appetite for not only a greater variety of goods, but also more expensive goods online. This will push retail ecommerce to represent a higher and higher share of retail spending."

MOBILE WEB VS. MOBILE APP: WHERE DO SHOPPERS SPEND TIME AND MONEY?

A strong in-app experience heightens engagement and loyalty, thus increasing time spent by users. And more user attention can lead to greater spending.

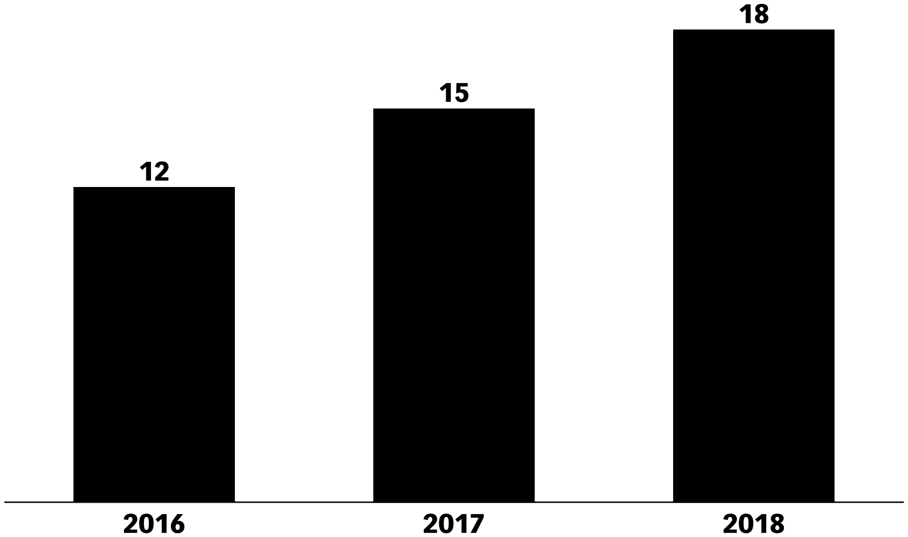
In 2018, total worldwide app revenues grew 63% year over year, according to a March 2019 report from app commerce company Poq, based on data from the company's platform clients. Global time spent in shopping apps on Android devices grew to 18 billion hours in 2018, up 45% from two years prior, per a January 2019 report from app analytics platform App Annie.

Looking at total time spent, November 2018 marked the biggest mobile shopping month ever. And sessions—comparable to brick-and-mortar foot traffic—grew 65% worldwide from 2016 on Android devices, according to the App Annie report.

In the US, mobile shopping sessions grew 70% from 2016. Amazon's app ranked third for number of active users per month across both iPhones and Androids in 2018. The ecommerce powerhouse was the only retailer to make the top 10 apps in the US, trailing Facebook and Facebook Messenger.

Last year, Amazon's mobile web audience was larger than its app audience, a 2018 Comscore study found. It averaged roughly 152 million unique users per month on mobile web, compared with approximately 112 million unique mobile app users.

Time Spent with Shopping Apps Among Android Users Worldwide, 2016-2018
billions of hours



Source: App Annie, "The State of Mobile 2019," Jan 16, 2019

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However, the vast majority of Amazon's engagement took place in its app, with 85% of time spent vs. 15% on mobile web.

According to App Annie, time spent by US consumers in shopping apps and increasing digital sales had a strong positive correlation of 0.97 between Q1 2014 and Q3 2018—further exemplifying the importance of the user experience.

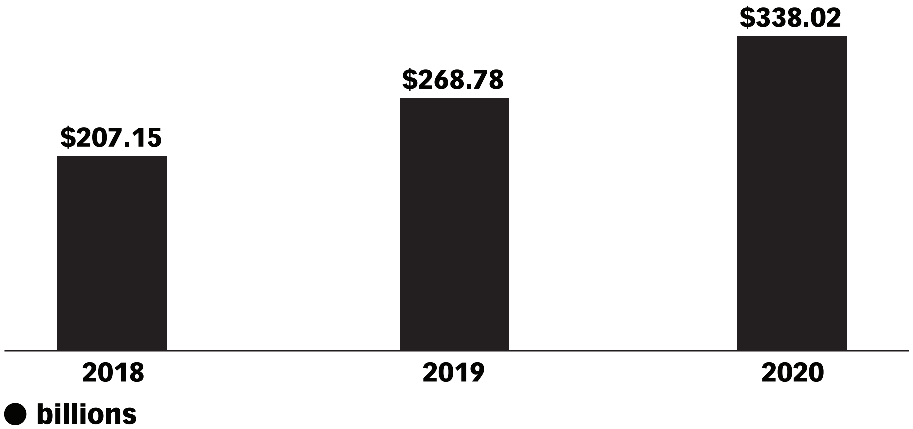
We forecast that US retail mcommerce sales will reach $268.78 billion in 2019, up nearly 30% year over year. By 2020, that figure will increase to $338.02 billion and account for nearly half of total retail ecommerce sales.

US retail mcommerce sales will reach $268.78 billion in 2019, up nearly 30% year over year, according to eMarketer estimates.

Retailers haven't always done a great job of encouraging mobile conversion, but they are getting a lot better at connecting with their customers. Continued mcommerce gains can be driven by improved marketing tactics.

"Retailers must activate every phase of the marketing funnel to maximize customer lifetime value," eMarketer principal analyst Andrew Lipsman said. "They can do so by using tactics such as explicitly communicating the value of their app, targeting the right customers through relevant channels, and directly incentivizing downloads, usage and transactions with compelling discounts and promotions."

Retail Mcommerce Sales
US, 2018-2020



Source: eMarketer, February 2019 (see below for notes and methologies.)

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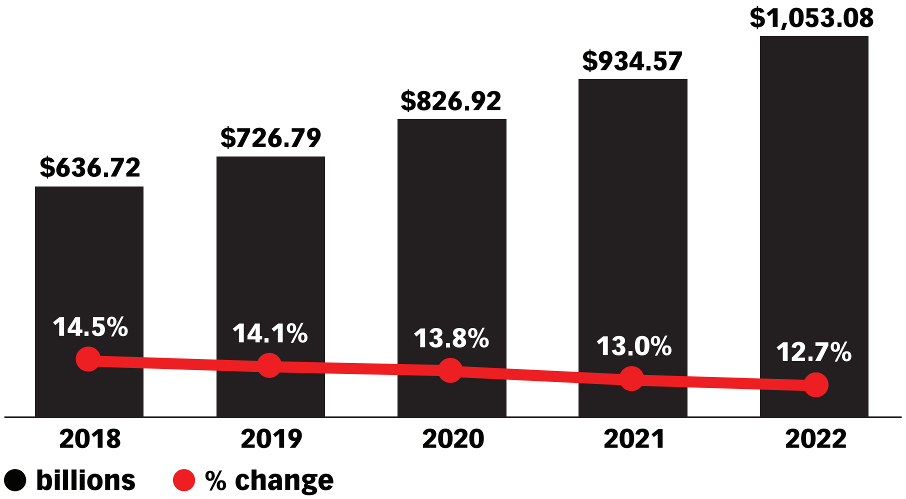
HERE'S WHY STORES STILL MATTER IN THE DIGITAL AGE

With retail ecommerce sales growing rapidly in the US, it can feel like online buying is taking over the world. But for consumers, brick-and-mortar shopping is still important. They'll spend almost 90% of their retail dollars in-person this year, and a large portion of that foot traffic will come from webrooming.

Webrooming, or researching a product online before buying in a physical store, has helped boost in-store traffic for a few retailers in particular last year.

Retail Ecommerce Sales
North America, 2019-2023



Source: eMarketer, May 2019

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Ulta Beauty's ecommerce growth rate came in lower than anticipated, a shift that CEO Mary Dillion attributed to customers' desire to visit stores to see and test makeup from digitally native brands like Morphe Cosmetics and Kylie Cosmetics. The beauty giant plans to open 80 new stores nationwide in 2019.

The Home Depot also saw increased in-store traffic last year, something CEO Craig Menear credited to BOPUS (buy online, pick up in-store). "These online shoppers see the relevance of our stores," Meanear told investors in February. Like Ulta Beauty, the company plans to expand its footprint in 2019, something it hasn't done in several years.

Target is another success story, posting its best annual growth in more than a decade last year, an accomplishment CEO Brian Cornell said came from investing in its stores, fulfillment centers and supply chain.

Unsurprisingly, millennials are most likely to webroom; four in 10 did so during last year's holiday season, compared with 35% of Gen Xers and 33% of baby boomers, according to Oath. As millennials get older and webrooming continues to gain prominence, retailers will likely focus on further streamlining the omnichannel journey.

WE HAVE SHIFTED INTO THE GUIDED ECONOMY

This post was contributed and sponsored by goMoxie.

We are currently in the middle of a shift called the Guided Economy. The Guided Economy is a result of advances in technology.

The Guided Economy is how technology has been guiding us before we even realized we needed guidance, making our lives more efficient and convenient.

How We Got Here

Taking a look back for just a moment, in the mid-90s, we started shopping online. The world of ecommerce was starting, and it was an exciting new world with big expectations to change the way people consume. But it has underperformed over the years with conversion rates low and the introduction of mobile only exacerbates the already anemic conversion rates. Here we are 20+ years later and things are pretty much the same.

Online businesses are bending over backward to publish information to webpages to help consumers make informed buying decisions, but it can be confusing and overwhelming to digital shoppers who want to be self-sufficient but are not experts in insurance, banking, styling or making travel arrangements. They crave guidance. Products from Google, Amazon and Apple proactively notify us of changes in flight times, weather, traffic and more. We respond positively to guidance because it's useful and it makes our busy lives easier.

The Common Thread: Guidance

While these technologies are fascinating it's really not about the technology itself, it's what it does for us, guiding us to information, solutions and efficiency.

We already have self-driving cars, although on a limited use, that guide people from point A to point B. Smart thermostats guide the temperature of a room by learning our preferences at certain times of the day.

In this new guided economy, brands can enhance the digital customer experience in all channels by anticipating and proactively addressing customers' needs. Telling a customer something useful before they even realized they needed to know it is a powerful way to build that relationship.

Moxie's Role in the Guided Economy

For the past 20+ years, online shopping has remained the same. Companies have spent tons of research and development into fixing their customers' struggles and hesitation, but digital and mobile conversion rates still remain stagnant at around 1-3% (Statista).

Moxie helps you guide your customers through their online journey, across all devices. Our underlying technology is part of the shift of the Guided Economy. We are here to help cut through the noise and easily connect consumers with the information they need to make confident decisions online. Companies guide their digital consumers to better experiences, through our technology solutions: knowledge, self-service, email, chat or Kbot. The results are tied to ROI that powers the business.

Visit us at gomoxie.com to see results from our customers and try it for yourself.

goMoxie™

You can't always see customer friction. But you can avoid it.

All the trend insights in the world won't matter if customer friction grinds conversions to a halt.

Get goMoxie's Digital Engagement Planner now for strategies and templates to help:

- Turn doubters into dedicated customers
- Grow opportunities by buying stage
- Ignite conversions and customer satisfaction

AVOID CUSTOMER FRICTION

Download goMoxie's **Digital Engagement Planner** with 3 ready-to-use templates now.

AWASH IN DATA, MARKETERS STILL FIND AD TARGETING CAPABILITIES LACKING

The push for more effective ad targeting remains one of marketers' chief priorities, evidenced by two reports released this year.

More than half of client-side marketers worldwide said leveraging data for more effective segmentation and targeting is among their top three organizational priorities in 2019, according to an Econsultancy and Adobe survey concluded in December 2018.

In a January 2019 poll of marketing industry professionals by the Interactive Advertising Bureau (IAB) and Winterberry Group, 43.9% of respondents said that predictive modeling and segmentation is among the data-driven marketing tasks that will occupy most of their time this year. And with that comes marketers' investment in artificial intelligence (AI) products that automate the creation of custom audience segments.

But even as marketers' capabilities are expanded by technologies like AI, they still have many improvements to make. Research shows that people are increasingly finding digital ads to be too intrusive. And tracking restrictions in Apple's Safari browser and data regulations like the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) add further difficulty to ad targeting.

Research shows that people are increasingly finding digital ads to be too intrusive.

Over half of the marketing professionals polled by IAB and Winterberry Group said that the threat of government regulation may impede their ability to derive value from their data-driven initiatives this year.

On the positive side, because digital advertising allows marketers to precisely target users, it has been perceived to be less wasteful than traditional media. That idea is helping drive TV advertising's digitization. But some marketers still aren't satisfied with what's actually possible with digital segmentation and targeting.

Food brand Avocados From Mexico has demanded that its ad partners guarantee digital audience reach, Digiday reported. The brand asked for audience guarantees, using Nielsen measurements to verify that a majority of ads reach its intended customers. This initiative arose after the company learned that only 20% to 30% of its digital impressions had been shown to its target audience.

Which Areas Do Client-Side Marketers Worldwide Expect to Top Their Company's Priority List in 2019?
% of respondents

Note: n=1,098; respondents could select up to three options
Source: Econsultancy, "2019 Digital Trends" in partnership with Adobe, Feb 19, 2019

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Other brands that use audience guarantees include Procter & Gamble, Johnson & Johnson, E*Trade, Dave & Buster's, UPS and Red Robin, according to a Nielsen spokesperson.

Avocados From Mexico's struggle to consistently reach its intended audience is representative of the ad targeting and segmentation issues that a majority of marketers grapple with.

Those advertisers who may not be reaching their target consumers via digital channels encounter inaccurate data, web browsers purging ad trackers, and difficulties with accurately identifying users across multiple devices. And these hurdles aren't new.

Almost two-thirds of marketing professionals polled by Winterberry Group and the Data & Marketing Association in January 2018 said improving audience segmentation to support more precise targeting was a campaign management priority.

GOVERNMENT REGULATION IS CHIEF THREAT TO MARKETERS' DATA-DRIVEN INITIATIVES

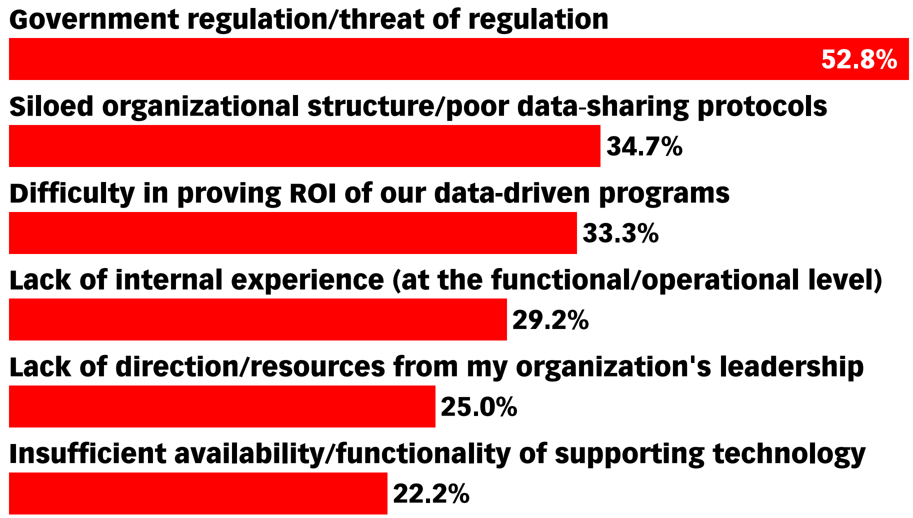
Government regulation is the top obstacle threatening marketers' data projects this year, according to a survey of US marketers by Winterberry Group and the Interactive Advertising Bureau (IAB).

Respondents also expected cross-channel measurement, attribution and audience matching and predictive segmentation to occupy most of their attention this year. All of these tasks require the collection and use of data and could be affected by regulation, according to Ratko Vidakovic, founder and principal of ad tech consultancy AdProfs.

"Any privacy laws in the US that touch on issues such as personal data and consent have the potential to be disruptive to these interests," Vidakovic said. "Given where we are now, with the California Consumer Privacy Act [CCPA] going into effect in [January 2020], and all the uncertainty around a federal data privacy law, it is not surprising that marketers view data regulation as a top challenge."

IAB and Winterberry Group's study adds to a body of research showing that marketers must take data regulation seriously. Previous studies have shown that public opinion is turning against large tech companies, US Congress is becoming preoccupied with big tech and company execs are increasingly mentioning data regulations during earnings calls.

Challenges that May Impede Their Ability to Derive Value from Their Data-Driven Marketing/Media Initiatives in 2019 According to US Digital Marketers
% of respondents



Source: Winterberry Group, "The Outlook for Data 2019: A Snapshot Into the Evolving Role of Audience Insight" in partnership with IAB Data Center of Excellence, March 5, 2019

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Meanwhile, tech companies continue to be scrutinized over their data misuse

- The Federal Trade Commission (FTC) announced in March that it was investigating how internet service providers are using their customers' data for advertising purposes.
- Also in March, The New York Times reported that federal prospectors were conducting a criminal investigation into Facebook's data practices.
- There are reports that Facebook could face a multibillion-dollar fine from the FTC over privacy violations.
- European regulators recently fined Google $1.7 billion for violating antitrust rules related to its AdSense product.
- In January, French regulators fined Google €50 million ($59 million) for violating the General Data Protection Regulation (GDPR). The fine, the first for a major Silicon Valley tech company, is the largest since GDPR became enforceable in May 2018.
- Also in January, Vice's Motherboard reported that bounty hunters could pinpoint a person's cellphone after obtaining information from data resellers. The report led 15 US senators to call for an investigation into how telecom firms handle their customers' location data.
- A December 2018 report by The New York Times showed that the anonymous data that some advertising and media companies sold could still be used to identify people. Following the Times report, the city attorney of Los Angeles filed a lawsuit against the Weather Company over its data collection practices.

Lawmakers in various states, including California, Washington, New Jersey and Colorado, have proposed their own data regulations. In recent months, ad industry trade groups have protested the state-by-state approach and advocated for national privacy regulations. Previously, industry groups have said digital advertising companies should be self-regulated.

"These trade groups are now doing everything in their lobbying power to lessen the impact of CCPA, while at the same time attempting to pre-empt it at the federal level with a more industry-friendly national data privacy law," Vidakovic said.

HOW ARE MARKETERS ADAPTING TO DATA PRIVACY LAWS?

Data privacy laws are gaining momentum now that more US states are advocating for stricter personal data regulation and European regulators are generating fines for huge advertising firms.

In January, French regulators fined Google €50 million ($57 million) for violating the General Data Protection Regulation (GDPR). The fine, the first for a major Silicon Valley tech company, is the largest since the GDPR became enforceable last May.

Fear of violating these tough new laws has driven publishers to turn off open exchanges and led vendors to pivot their business models. More than three-quarters of brand marketers in the US and Europe agreed that GDPR will affect how they use third-party data to target people, according to a November 2018 survey by Sizmek.

While GDPR is specific to Europe, business executives believe that more countries will adopt similar laws. About seven in 10 of the 400 senior executives in a June 2018 survey by A.T. Kearney said that GDPR will likely inspire other countries to expand data privacy regulations.

In the US, individual states are passing their own data privacy laws, creating a patchwork situation. (The Association of National Advertisers [ANA] is lobbying for a more uniform national standard regarding data privacy in the US.)

Brand Marketers in Europe and the US Who Expect GDPR to Impact Their Audience Targeting Capabilities with Third-Party Data, Spring 2018

% of respondents

	US	Europe	Total
Strongly agree	30%	29%	29%
Somewhat agree	46%	49%	48%
Somewhat disagree	13%	14%	13%
Strongly disagree	4%	5%	5%
Don't know/does not apply	7%	4%	5%

Note: n=522
Source: Sizmek, "Marketers Survey Results 2018: An Insider's Look at Media, Brand Safety, and Partnerships," Nov 14, 2018

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For eMarketer's report "Digital Display Advertising 2019: Nine Trends to Know for This Year's Media Plan," we spoke with Amy Manus, vice president of the southeast region at Goodway Group, about how marketers are grappling with data privacy concerns.

How has GDPR affected marketers?

It's caused companies to re-evaluate their overall process, and address the data they have and what they'll be using. Most marketers I talk to are finding the impact of GDPR somewhat bittersweet.

Can you elaborate?

It's causing them to streamline the amount of data they're storing; letting go of data can be scary for any organization. But inversely, this whole data deluge has continued long enough, and marketers are becoming more cognizant of what data is going to help aid in the relationship they have with customers during their journey. Overall, just streamlining their approach and strategy for how and what data they use is a necessary exercise many marketers have been putting off for some time.

What strategies should US marketers implement to become compliant?

At minimum, doing an audit of the data you have, understanding—at a high level—the guidelines that are happening over in Europe, and learning how those implications can be brought to the US.

What else should marketers do?

Be aware of how you're collecting data, how you're storing it and where it's located. Just the conversation around security and privacy has been so top-of-mind with recent data breaches. It's not a "nice to have"—it's a best practice, and it should be moving into 2019.

"Most marketers I talk to are finding the impact of GDPR somewhat bittersweet."

Amy Manus,
Vice President of the Southeast Region, Goodway Group

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