How Digital Transformed Advertising

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Madison Avenue in New York City – once the glittering epicenter of the advertising universe - were *Mad Men* account executives drinking highballs during meetings – has dimmed its lights in recent years as the business of advertising transitions into the digital realm, leaving the old agency mystique behind. Last year, Martin Sorrell, CEO and founder of W.P.P., the world's largest advertising and marketing holding company, resigned. This event signaled the tectonic shift from the old ways to the new.

Traditional ad agencies were designed to succeed in a mass media world, with few outlets, a manageable number of big brands, and unified distribution channels. In today's digital landscape, however, the game has changed to consumer search, peer reviews, and social platforms. There is infinite shelf space, shopping is available 24-7-365, and direct-to-consumer models are unbundling once-powerful brands.

While some industry insiders bemoan the decline of traditional approaches, the need for advertising - for informing and persuading consumers about goods, services, and innovative entries into the marketplace – will never go out of style. The means may be new, but the ends are still to inform, influence, and ignite consumer actions.

Let's examine ten of the critical factors that are combining to push the industry away from the two-martini lunch and into the warp speed of the Internet of Things.

Factor #1

In 2017, digital advertising surpassed television for the first time in history. The TV medium will continue to represent an important component of the overall advertising mix, but the average consumers of today own several dozen digital devices. From smartphones to tablets to voice-activated personal assistants to kitchen appliances - digital devices are ubiquitous, and they all offer an opportunity for advertising. In fact, the size and resolution quality of smartphone screens have made them equivalent to TVs, with one very important differentiable advantage: they are mobile.

Google and Facebook are now the two largest advertising platforms in the world. Industry tracking organizations report that 90% of the annual growth in digital advertising is going to these two companies alone. Each accounted for more than $5 billion of growth in advertising spend in 2017. In contrast, TV ad sales declined by $4.9 billion or 7.3% to $62 billion. Among other social platforms, Twitter has focused on user acquisition rather than on making improvements to its ad platform. As a result, marketers are using other social media to connect with prospects. LinkedIn has benefitted from Twitter's decline. It refreshed its user interface in 2017 and made improvements to its ad platform. Instagram also is growing at a significant rate. In 2017, Instagram announced that 800 million people use the platform each month. Its latest tool, Instagram Stories, became more popular than Snapchat within one year after going live. Since brands experience better engagement on Instagram than any other social platform, and because of great advertising controls, Instagram is well-positioned to become the go-to channel for brands interested in social media marketing.

Factor #2

The principal driver behind the surge in digital marketing is programmatic advertising.

Fueled by advances in Artificial Intelligence (AI) and machine learning, programmatic advertising refers to the use of algorithms to purchase and place ads in digital media. This AI application is becoming increasingly accurate in predicting which internet users are more likely to purchase a product or service across the Internet of Things (IOT) of display, TV, radio, Out-of-Home, and home appliances (like your connected fridge). Not so very long ago, the average consumer was exposed to 500-1000 ads per waking day; estimates today exceed 5000, fueled by the IOT and AI-powered technologies.

Programmatic advertising reduces CPA - cost per acquisition – but it comes with some challenges. It can be problematic when an algorithm places a brand's ad adjacent to "fake news" or offensive content on the internet. Many marketers have brought programmatic ad placement operations in-house to exert more control over placement and to mitigate the effects of "staining" a brand through poor adjacencies.

AI applications will continue to push digital opportunities forward with personal shoppers, cyber-agents designed to discover products on our behalf, constantly learning from our behavior and direct inputs. Timed and targeted messages delivered at the individual level will evolve and improve and the old CPM metric may change to the newer cost-per-second measurement tool, enabling advertisers to pay only for the time that consumers spend with their message.

"Quant Advertising," a label for the marriage between data science and marketing, is likely to expand. Unilever and Kraft, two organizations that historically relied on marketing "soft skills," are now copying the tech world by building data-science teams to work alongside marketers.

Factor #3

Another dynamic is that consumers trust **peer reviews** more than brands or advertising spokespersons (two problematic examples are Lance Armstrong for Nike and Jared for Subway). The rise of Yelp, Trip Advisor, and other consumer experience sharing platforms have transformed customers into the best form of advertising. High marks on peer reviews are more valuable to a brand than a significant new ad campaign.

Factor #4

Blockchain will play an increasingly important role in digital advertising. Its capacity to fix security and control fraud, and deliver higher levels of transparency and authentication, could disrupt the ad ecosystem in positive ways for years to come.

Factor #5

Video content is supremely important. Two of the largest e-commerce organizations – eBay and Amazon – have indicated that including video ads with product descriptions increases the likelihood of purchase by 35 percent. Videos are shared far more often than are text-only ads, and search engine optimization programs favor video content when scouring the web for relevant connections. Videos also can convey more information in compressed time frames. For

example, a 2000-word message may take 8-10 minutes to read, but the same 2000 words can be spoken – with higher rates of listener retention – in half the time.

Factor #6

Location-based advertising may be the most explosive new approach. Geo-targeted and GPS-enabled mobile devices help marketers find where customers are and therefore when a specific message may be of the highest relevance. This methodology can be triggered by a customer walking into a retail store or down a certain aisle. Walking past the dog food? Boom – here's

a digital alarm with a coupon for your favorite brand of chow for the hound.

Factor #7

Augmented Reality (AR) is likely to gain traction among advertisers and consumers. With the release of new iPhone products, Apple has made a commitment to AR. As these new devices proliferate into the mainstream, brands will begin experimenting with AR content.

Factor #8

Autonomous vehicles – self-driving cars – may represent a new marketing channel. When drivers (riders) no longer

need to pay attention to the road, they will consume content, and that content will be accompanied by ads. Industry experts think some brands will begin to experiment with this new medium in the next year. And with riders' hands free, one-click shopping opportunities will multiply.

Factor #9

One-fifth of on-line searches (there are an estimated two trillion searches annually) are now conducted by **voice**. In 2-3 years, that figure is expected to increase to 50%. Marketers have begun to optimize content for voice search. Because voice search is easier than keyboarding, searches tend to reveal more long-tail content (more specialized, more niche). Text search tends to return only sorter phrases. For example, a text search of "Chinese restaurants in my area" will return the top 10-15 most obvious results. But a voice search of "Chinese restaurants with vegan entrees in my area" will return fewer, far more targeted and relevant responses.

Factor #10

Micro moments represent a deeper dive on the customer journey. Micro moments may be thought of as any instance in

which a customer interacts with a marketer on a device. More than 80 percent of consumers say they consult their mobile devices while shopping in a physical store, and 66 percent use their phones to learn more about something they saw in a TV spot. There are four types of customer micro moments:

1. I want to know
2. I want to go
3. I want to do
4. I want to buy

By deploying an intelligent omni-channel strategy, marketers can serve as an immediate "advisor" to their customers when they are searching for information, seeking directions, considering activities, and zeroing in on purchases – the "know/go/do/buy" framework of managing micro moments.

The need for information

Despite all of these digital advances, which seem to be occurring in nano-seconds, the need for creative, compelling messaging – for good old-fashioned marketing communication – will not disappear. Display or banner advertising – the type that appears in this magazine you are reading – continue to buttress a fundamental fact of consumerism: people need information to make choices, and choices are the fuel for a capitalist economic system.

Information drives improvement and innovation. Information has never heretofore been so "perfect." The disparity in information between marketers and consumers for decades was in the favor of the brands, who could shape messaging from an advantageous posture. Today, consumers have nearly as much information as marketers – the entire construct has been democratized. There is no longer an advantage for the marketers, but now a dialogue between information equals or peers.

Lottery has always been a transparent industry, advocating responsible gaming practices, sharing the good news of Good Works, and stoking dreams of winning. It possesses all the assets that a brand needs to participate with integrity and authenticity in the new world of digital advertising.

With a continuously evolving understanding of the player journey, of omni-channel communications, and of the power of ubiquitous connectivity through the IOT, Lottery can make the trip from old Madison Avenue to the new Digital Drive.