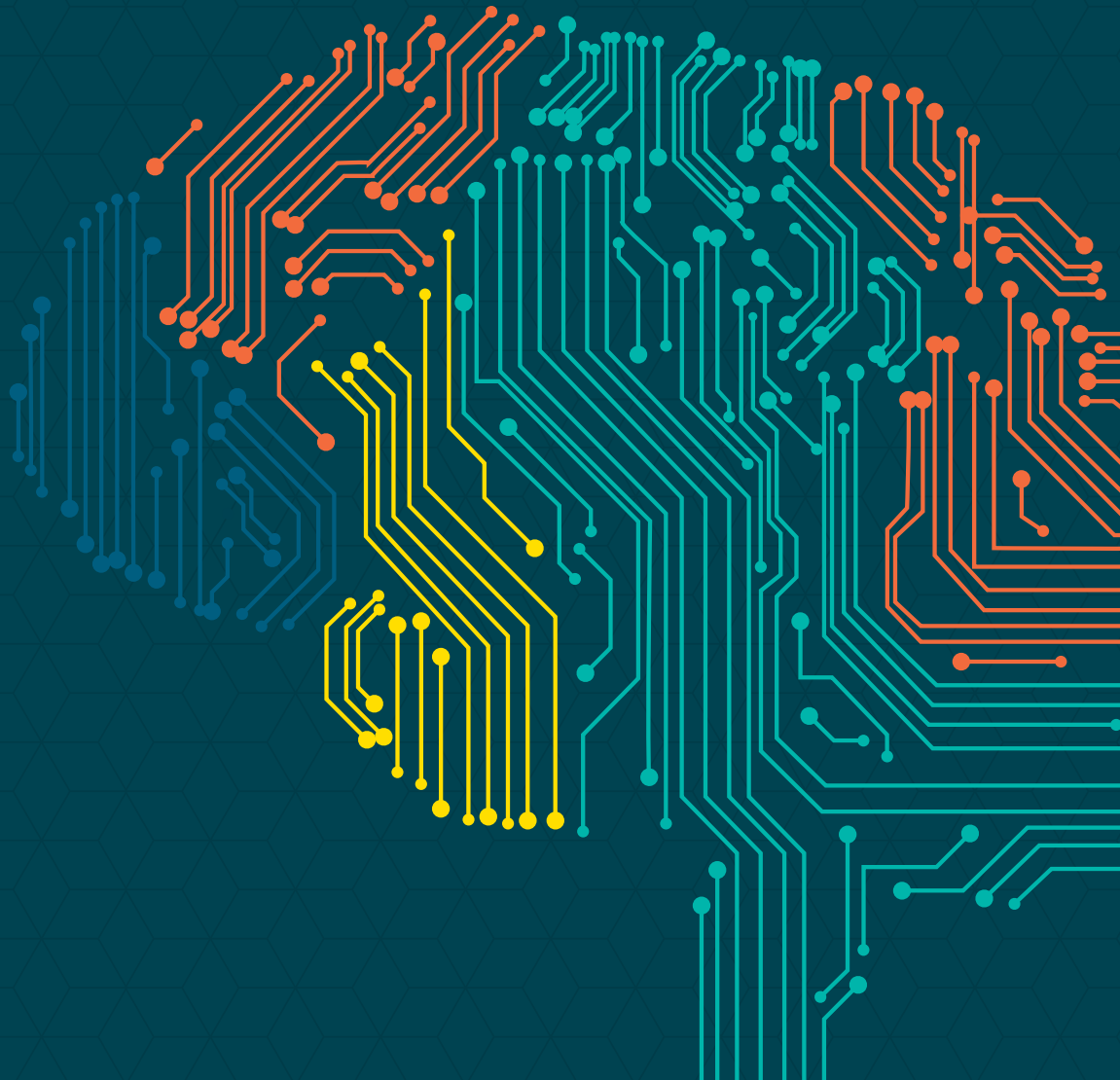


Albert™

AI ADOPTION IN MARKETING:

2018 BRAND & AGENCY
SURVEY



Contents

Introduction: About the Survey	3
Key Takeaways	4
Why AI	5
Unique Insights for Brands and Agencies	6
Different Users, Different Benefits	8
AI Gets the Job(s) Done	10
AI Touches Multiple Channels	11
Letting Go is Hard to Do	12
Reasons for Resistance	13
Albert in the Field	15
Conclusion: Changes Coming to the Way Marketers Work	16
Methodology	17
About Albert™	18

Introduction: About the Survey

It has been less than two years since we at Albert Technologies launched Albert™, our namesake artificial intelligence (AI) digital marketing platform. At launch, we suspected that the consumer brand community would embrace our offering.

The onslaught of data that marketers have been tasked with gathering, analyzing and acting on over the past decade has been a blessing and a curse. A blessing because it gives them unprecedented and rich insights into their consumers. A curse because it's impossible for human teams to keep up with it in a meaningful and timely manner. Yet, tailoring messages specific to consumers' actions and preferences is now a requirement in an increasingly personalized world — at least for any organization that wants to see an increase in conversions and sales.

What surprised – and yes, we'll say – delighted us was the discovery that, in 2017, agencies that manage digital campaign execution for their brand clients began adopting autonomous systems too. Like brand users, agencies using these platforms are unearthing wider and previously unknown audiences for their clients. In short, they deliver more leads, more sales and more traffic to their clients with less manual effort.

How do we know this? Agency users told us. Toward the end of 2017, Albert surveyed some of the world's earliest AI adopters – the agencies and brands that work with us and other AI systems – about their initial expectations of AI-based marketing and Albert specifically. We gauged how those expectations have evolved — for better or for worse — following adoption and ongoing implementation.

Before we conducted our research we knew, based on industry buzz, analyst insights and client feedback, that the speed of adoption by brand-side marketers has been relatively faster than the agencies that perform digital campaign execution on their behalf. Many agencies' initial reaction was a reluctance to use third-party AIs or an unwillingness to consider that a machine could take over data tasks at a scale and efficiency level that exceeded manual efforts.

As we've begun working directly with some of these agencies, we've discovered anecdotally that their initial hesitation often had less to do with concerns around artificial intelligence and more to do with concerns around using a third-party system. For that reason, it's no surprise that some agencies have even set out to create their own AI systems with varying degrees of success.

That said, both brands and agencies are moving into phases where AI use is standard. When that happens, AI-based autonomous campaigns will no longer be a differentiator: they will become an accepted and expected business practice.

Don't take our word for it. In the following pages, you'll discover a host of insights regarding: how brands and agencies use AI marketing platforms; how their expectations compare to reality; the effectiveness of our efforts to educate the industry regarding this technology's value; and the aspects of AI with which the marketing community continues to struggle.

Key Takeaways

- Both brands and agencies are looking to AI to get more value from their marketing investments.
- Both brand-side marketers and agencies use AI systems to identify new audiences. Automating this work facilitates an agency's ability to offer enhanced audience-identification as a service and increase value to brands.
- Agencies tend to focus on AI's performance benefits—such as increased sales and return on advertising spend (ROAS)—at the campaign level. Brand-side marketers are more likely to focus on cost containment, and undervalue how the insights AI-driven marketing generates may benefit the organization as a whole.
- Agencies are more comfortable than brand-side marketers applying AI-based insights to the “creative” aspects of campaigns, such as image and video creation, copywriting, keyword selection and/or non-digital campaign assets.
- The top perceived drawback to using AI-based marketing systems is the alleged inability to communicate with the system, despite a move by vendors toward easy-to-use query and modification functions.

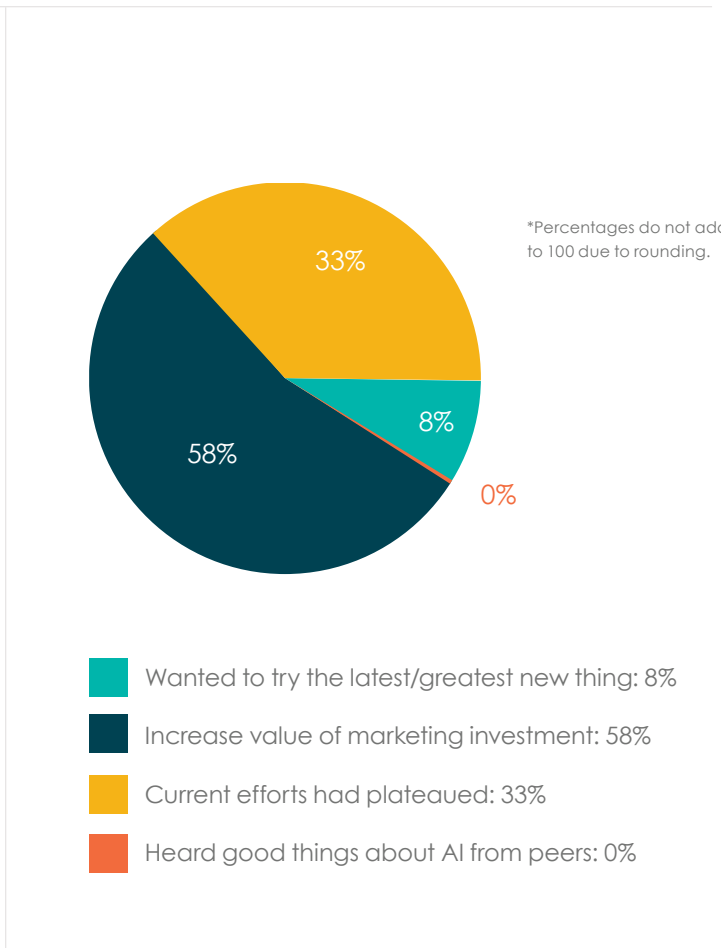
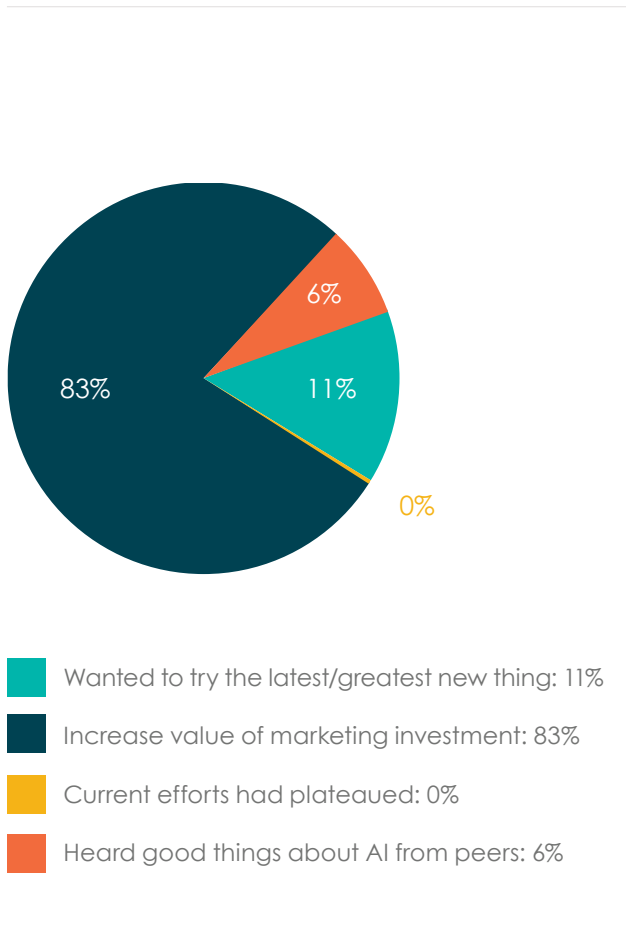
Why AI?

Brands and Agencies agree: It's all about performance.

When asked what problems they were looking to solve when considering AI, brands and agencies alike largely skirted past responses that suggested peer influence or the desire to try the latest and greatest new thing had informed their decision.

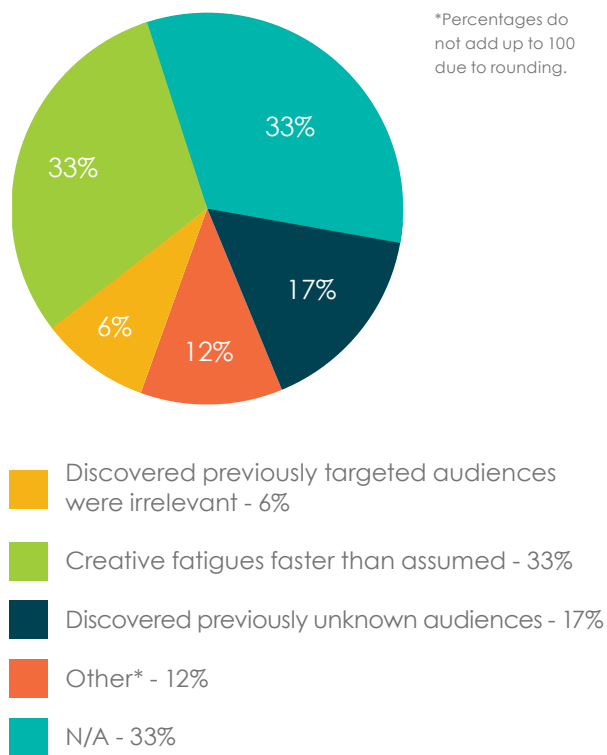
Instead, both respondent types were clear on the end goal for AI adoption: Seven out of ten brands and agencies (83% of brands and 58% of agencies) cited the need to get more value from their marketing investment.

Interestingly, 33% of agencies also admitted that part of AI's upfront appeal was its presumed ability to scale plateaued efforts. No brands selected this option, which suggests that brand respondents are using artificial intelligence to run campaigns they've never run before, whether because they've recently taken digital efforts in house or because they're simply introducing new channel(s) into their digital marketing mix. In either case, it's likely they wouldn't be able to comment on whether previous efforts had plateaued.

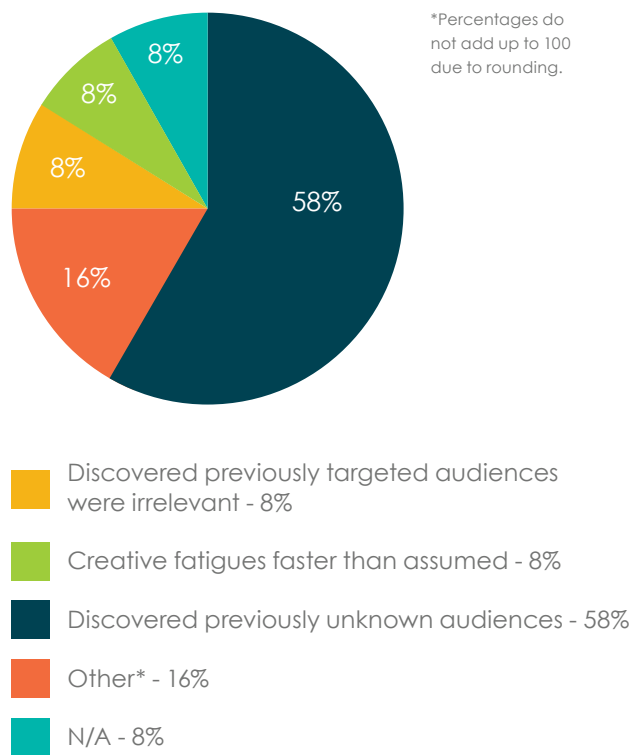


Unique Insights for Brands and Agencies

Agencies, which are charged with delivering results to clients, tend to focus on an AI's performance benefits at the campaign level. Brand-side marketers tend to apply insights holistically. The biggest disparities between the insights, agencies and brands reported gaining, were in response to new



*Brand respondents who selected "Other" wrote in "AI for Efficiencies" and "Call-to-Action Insights" as insights they gained through AI marketing.



*Agency respondents who selected "Other," wrote in "Search to Facebook Relationship" and "Identified most effective marketing message" as insights they gained through AI marketing.

Audience Discovery

Only 17% of brands reported discovering audiences they didn't know they had, while nearly 60% of agencies rated the ability to discover entirely new audiences as particularly insightful.

In regard to new audience discovery, brands are inherently invested in discovering new customers, and are more likely to have explored new markets. They're also more intimately familiar with their buyer segments in many cases. Agencies, especially those who are more execution-focused than strategic in nature, are more likely to directly implement client orders, rather than to explore new audiences they haven't been tasked with targeting. When agencies use AIs, they're able to offer audience development insights and capabilities to their clients with no additional effort.

Creative Fatigue

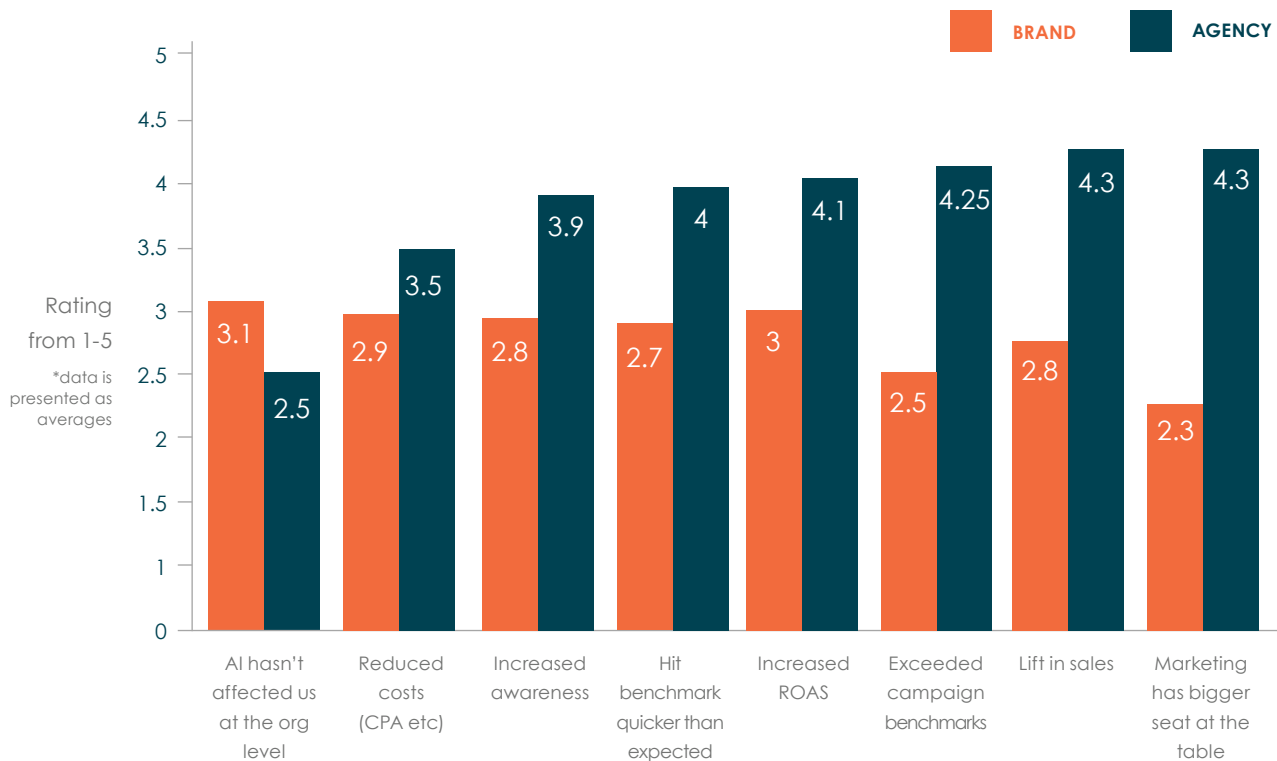
Only eight percent of agencies seemed to be surprised by how quickly creative assets fatigue during campaigns while 33% of brands reported this insight as revealing.

These numbers reflect an agency's strength: their understanding of the creative life-cycle during a campaign. Agencies, which can bill for implementing new creative campaigns, have a vested interest in tracking creative fatigue and keeping creative assets fresh. The disparity in respondents reporting creative fatigue reflects this: whether because of lack of time to create new efforts or less of a priority (or ability) to measure campaign fatigue, brands were more likely to run creative efforts into the ground.

Different Users, Different Benefits

With most technologies, agencies have been early adopters. Part of an agency's value is access to the newest technologies. AI is a special case, however: agency adoption has lagged due to concerns about automation facilitating tasks that normally generated a lot of billable hours.

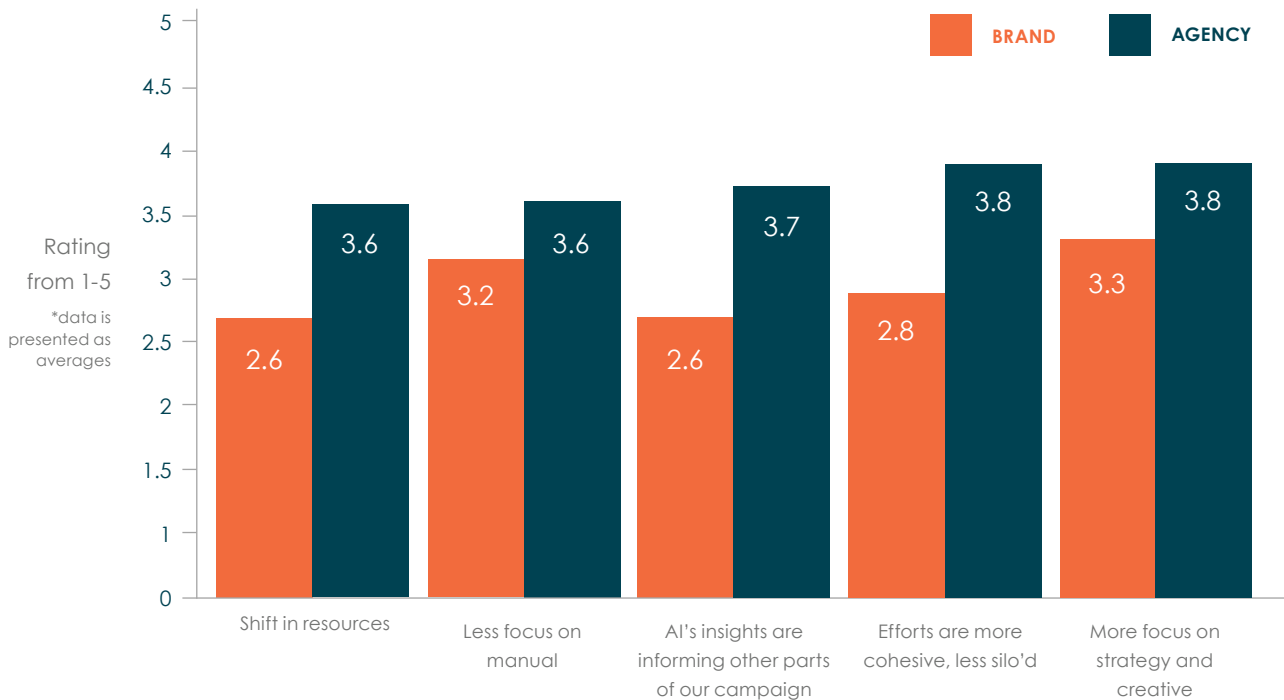
PERFORMANCE BENEFITS OFFERED BY AI: Brands & Agencies



Agencies may have been late to the party, but they now embrace all of AI's benefits. In particular, they prize AI's sales performance benefits beyond all others. Asked to rate the financial benefits that AI offers, they gravitated toward the ones yielding the best results for their clients. While brands also appreciate revenue-based benefits, the aspects these respondents prized most were related to cost containment, specifically reduced costs and increased Return on Ad Spend (ROAS).

Until AI becomes ubiquitous, data such as the below should be reviewed on relative terms – how a brand's attitude toward a given benefit or efficiency indexes against other benefits and efficiencies, and how a given agency benefit or efficiency indexes against other benefits and efficiencies.

EFFICIENCY BENEFITS OFFERED BY AI: Brands & Agencies



Across the board, agencies value AI's efficiency benefits more or less equally. In contrast, there's a clear distinction within the efficiency benefits brands value.

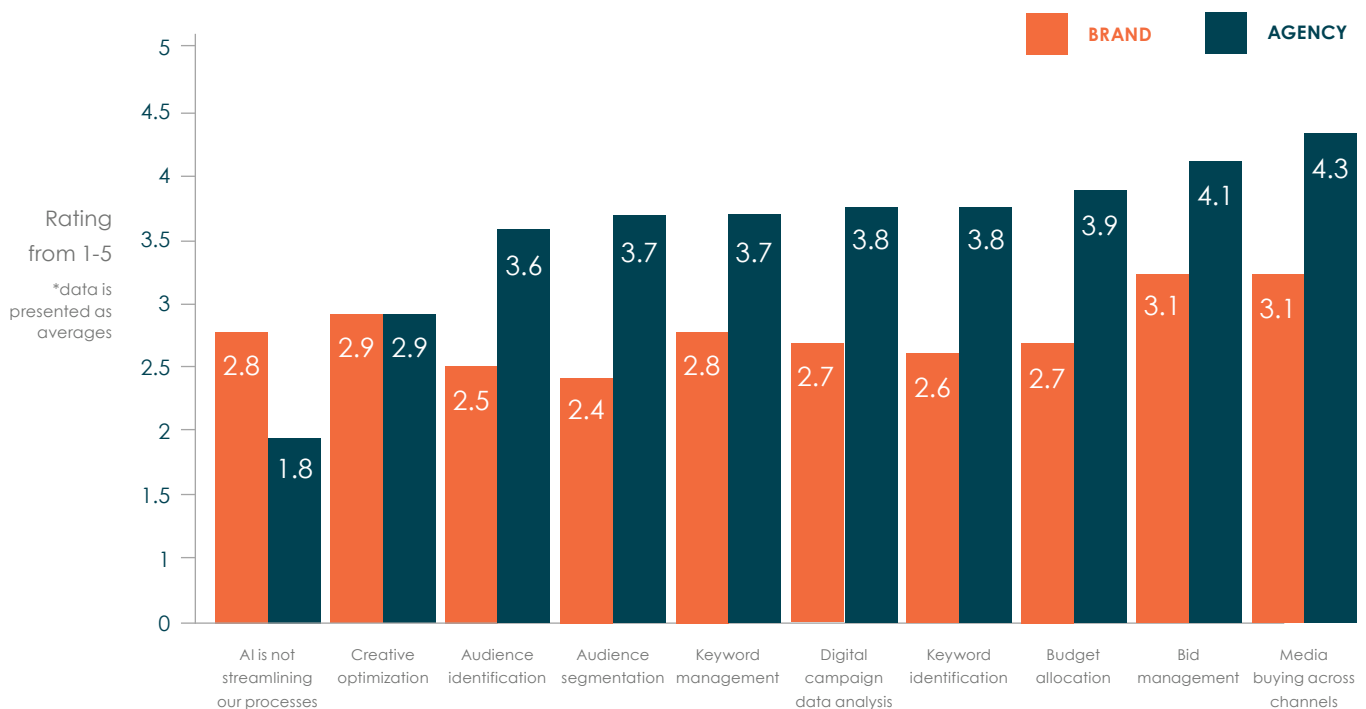
For instance, brand respondents revealed less propensity to use insights generated from AI to inform other parts of their campaigns, or as a means of bringing cohesion to siloed marketing efforts.

Brand respondents that directly manage their own AI systems focused on the ability to slough off mundane tasks to a machine, and free up time among their employees for creative or higher level strategic activities. They were less likely than agencies to appreciate the benefits of organization-wide insights AI can offer.

AI Gets the Job(s) Done

Users are happy to relinquish media purchase functions to automation. As for other tasks...

AI'S IMPACT ON JOB FUNCTIONS: Brands & Agencies



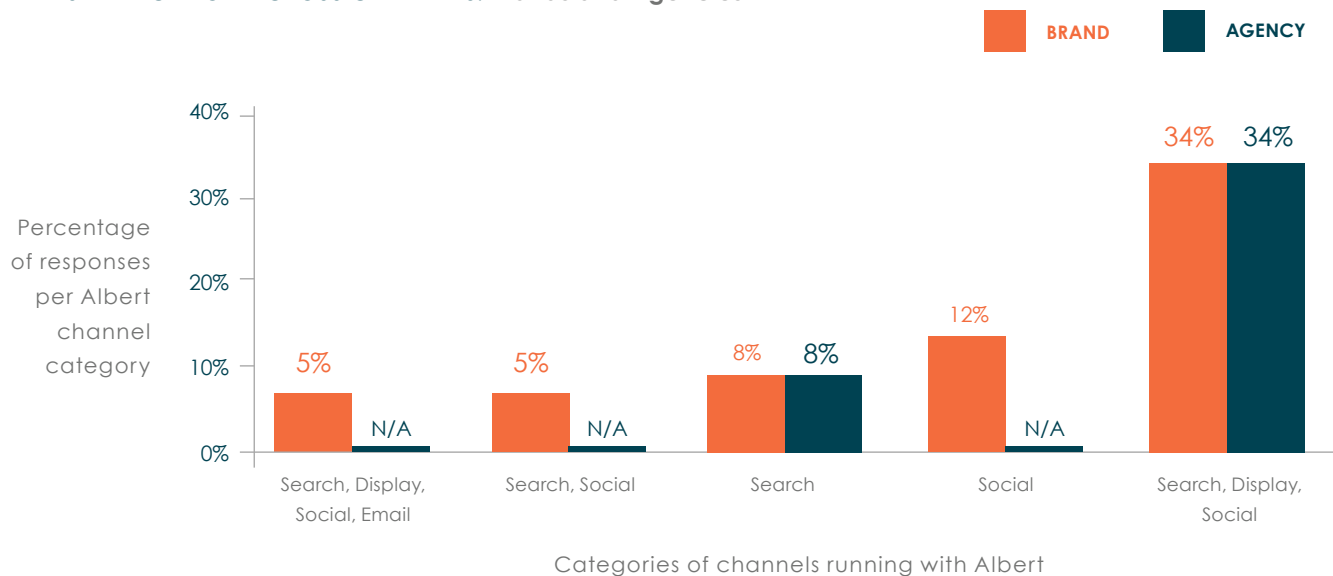
Both agencies and brands value AI's impact on managing bids, such as automatically coordinating paid search firms' keywords purchases or digital display network placements. Agencies are more comfortable turning ostensibly creative functions, such as keyword and audience identification, over to an automated process, while brands exhibit greater reluctance to give them up.

Albert's ongoing education process endeavors to bring quantitative justification for automating these processes to the decisions that influence these processes.

AI Touches Multiple Channels

Siloes still exist: not all marketing channels are sharing in what should be enterprise-wide insights.

AI'S APPLICATION ACROSS CHANNELS: Brands and Agencies



The good news, at least as far as AI adoption goes, is that marketers—both brands and agencies—are using their AI platforms across up to four digital channels simultaneously.

The majority of brand and agency respondents reported using AI to automate digital marketing across three digital channels at once: search, display advertising and paid social media.

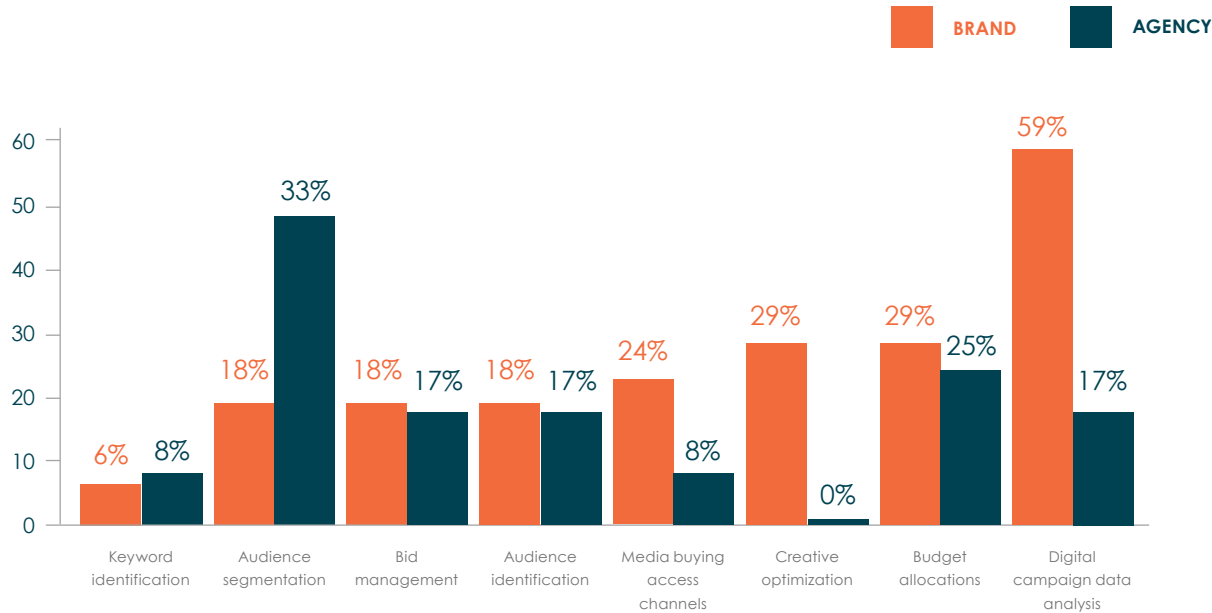
As for those that aren't applying AI across several or all digital channels: this may be because their technology systems don't permit cross-channel integration. In some organizations, email operations are separate from other online functions.

In other instances, the lack of cross-channel use may be because AI is being allowed to demonstrate its worth one channel at a time before being rolled out organization-wide. Brands and agencies have reported controlling their upfront AI usage in this way.

Letting Go is Hard

Respondents were split regarding which tasks they were willing to relinquish control of to an autonomous system

MOST DIFFICULT MARKETING TASK TO HAND OVER TO AI: Brands & Agencies



Brand and agency marketers were in agreement about one thing: among the tasks newly automated by their AI platform(s), budget allocation ranked highly among both as one of the hardest to give up.

They differed, however, in terms of what they rank their most difficult task to give up, with 59% of brands citing digital campaign analysis and 33% of agencies citing audience segmentation as the hardest to let go.

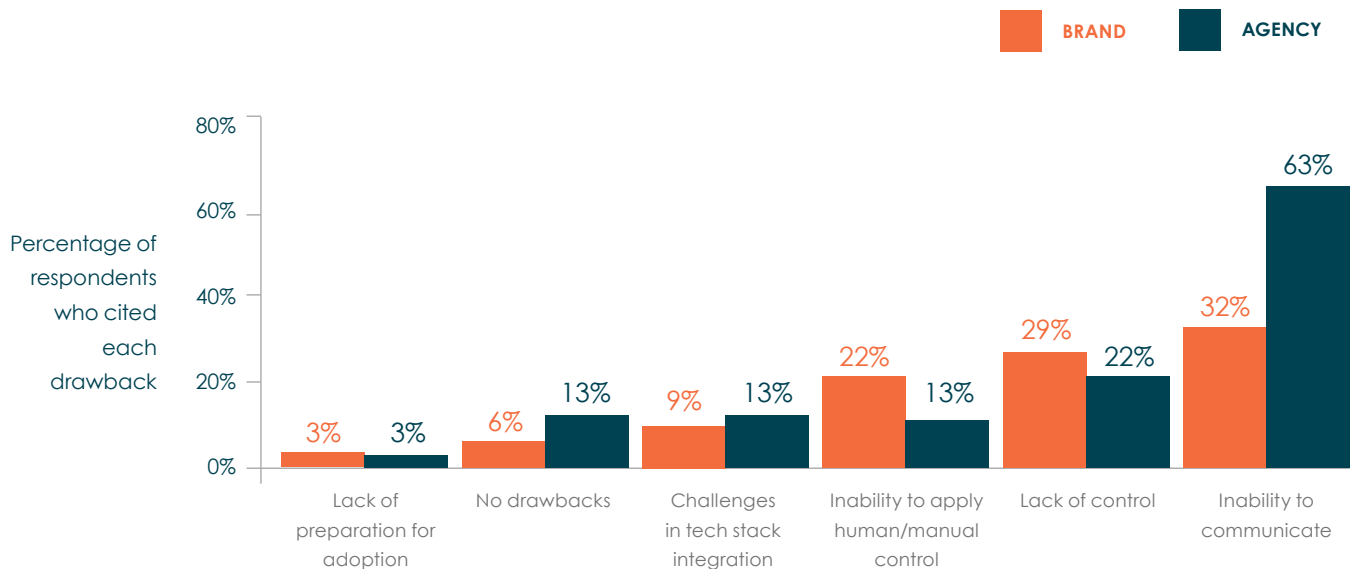
There's more than a bit of emotion likely at work here for brands. These marketers are not yet ready to surrender the aha! moments that come from data analysis (despite the hours of labor required to find them). Agencies' difficulty of letting go of audience segmentation might be due to having become accustomed to the difficult task of pairing the right promotions with what they perceive to be the right audiences.

Nevertheless, users do understand the advantage of letting a machine manage keyword selections: choices are made without pride or bias. Machines pick keywords based on what is achieving the desired business results.

Reasons for Resistance

Marketers express their concerns about surrendering marketing operations to AIs. An emerging and increasingly more urgent role of AI platform providers is demonstrating why those concerns are unnecessary.

DRAWBACKS IDENTIFIED WITH USING AI MARKETING



Sneering at “black box” style analytics is appropriate for systems that not only analyze data but act on it autonomously without asking for permission, or sharing how or why they did something. Marketers shouldn’t rely on outside vendors to provide their secret sauce, but they are certainly entitled to some insight into the ingredients.

The AIs currently on the market offer varying levels of insight, into and control over, execution. Based on anecdotal feedback from clients, Albert has learned that some marketers are most comfortable handing over the reigns to autonomous systems once they have compared the results the AI achieves doing it its way versus theirs. Other marketers are less concerned about the inner workings of AI as long as campaign KPIs are met or exceeded.

Albert users specifically are able to define strict parameters before letting the machine execute campaigns. The marketers who are most successful using Albert and other AI systems are those that test different settings and parameters — ranging from conservative to aggressive in terms of target audience, categories, demographics, geographies, and budget — and learn and refine efforts from there.

What makes an autonomous system different from standard automation tools is that the machine's

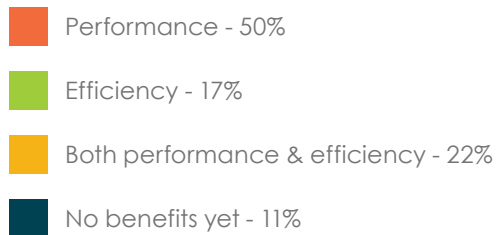
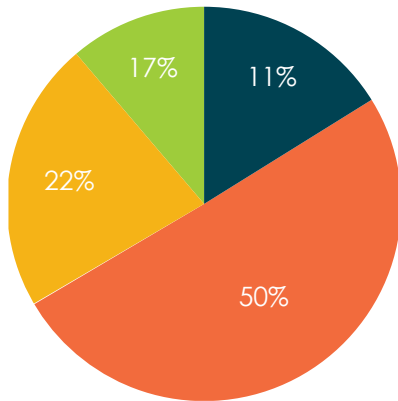
learning phase is key. Autonomous marketing tools need to go through the campaign, response, modification loop a few times (ideally testing on micro segments) to understand which segments respond to what messages.

The trick for marketers is knowing when to step in, and when to let the system function on its own. A good AI platform partner will offer guidance on how much (or how little) handholding the system needs. Chances are, it's less than marketers currently think.

Albert in the Field

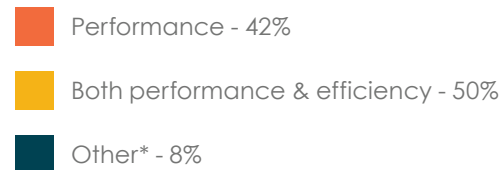
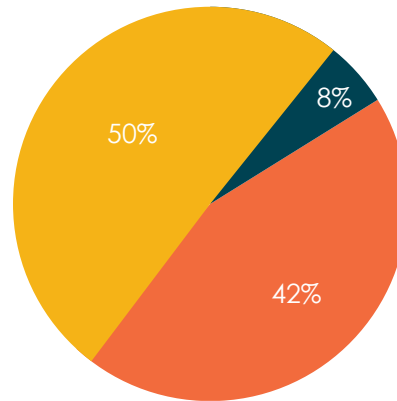
PRIMARY BENEFIT OF USING THE ALBERT

AI PLATFORM: Brands



PRIMARY BENEFIT OF USING THE ALBERT

AI PLATFORM: Agencies



*Agency respondents who selected "Other" wrote in "Awareness" as the most high priority benefit of Albert.

It's hard to know whether marketers' experiences of AI are consistent across all AI systems on the market, but both brand and agency users of Albert are realizing benefits to their digital display, search, social and email efforts.

Considering agencies' early pushback on AI it is reaffirming to see that 42% of them cited performance as a primary benefit of Albert, while half reported both performance and efficiency, and 8% added "Awareness" as a write-in option.

The largest discrepancy between brands and agencies is their varying levels of prioritization of efficiency. Fifty percent (50%) of brands rated

performance as a primary benefit while only 17% of brands most highly valued efficiency alone. This is in comparison to the 50% of agencies that ranked both performance and efficiency equally as valuable. It's likely that agencies experience the repercussions of inefficient execution more acutely than brands, making them more aware of improvements to efficiency. Similarly, the brands surveyed here are a mix of those that are executing their own digital campaigns for the first time (and therefore have no point of comparison) and those that had executed only some channels manually prior to adopting Albert. It is likely that the 11% of brands that reported no benefits yet are either early users or those with zero or few points of comparison.

Conclusion: Changes Coming to the Way Marketers Work

There are two gaps in artificial intelligence adoption: one in application and the other, much wider one in education.

The application gap will be bridged as users get a sense of what AI systems can do, and begin applying their insights across channels and business units (internal teams, external agencies, and technology stacks). Brands already understand this: de-siloization has been a watchword for years, and the concept of integrating data from across an enterprise into an analytics system is an inherently understandable one.

Agency users aren't as quick to explore the value of integrating information from across an entire enterprise. This is not necessarily the agency's fault. If responsibility for different channels is spread among various vendors, transferring data from one to another will require overcoming institutional blockades.

Additionally, there is more of a tendency for an agency to view performance at the campaign level, or on a per-effort basis. If an agency contract calls

for compensation based on the volume of touches, streamlining the audience identification and campaign optimization process is counterintuitive. Better to do several high-volume touch efforts now, and let the next agency deal with the ramifications of a depleted—or even worse, over-solicited—audience universe.

The smartest agencies, however, will see AI offerings as a means to secure greater swaths of a client's business. Demonstrating the value of holistic multi-channel marketing will go a long way toward that. While the total number of marketing touches may drop, AI-using agencies can structure their pricing model differently than they do today – say to include a percentage of revenue from sales. These performance-based deals can be structured so that agencies wind up with more compensation even as the total quantity of touch points (and therefore, manual efforts) drop.

Such an outcome is the very definition of intelligent marketing.

Methodology

In late 2017, Albert Technologies conducted a digital survey of its brand and agency clients, some of which are also users of other artificial intelligence (AI) marketing systems. The research was done blind, with data gathered and consolidated by the digital survey system. This report is based on information provided by 52 respondents, including 17 agencies and 35 brand marketers.

Advertising and digital marketing agencies comprised one-third of respondents. Slightly more than one-quarter of respondents came from the retail and apparel sector, while media and entertainment, travel and leisure, and consumer-packaged good made up seven percent each. The last 20 percent were drawn from the consumer technology, pharmaceuticals and healthcare, transportation, and “other” categories.

About Albert™

Albert, created by Albert Technologies, LTD. (AIM: ALB.L), is the world's first and only fully autonomous digital marketer. The enterprise-level artificial intelligence platform drives digital marketing campaigns from start to finish for some of the world's leading brands. Albert liberates businesses from the data and technology complexities of digital marketing—not just by replicating their existing efforts, but by executing them at a pace and scale not possible by human teams. “He” accomplishes this by wading through mass amounts of data, converting this data into insights, and autonomously acting on these insights, across channels, devices and formats, in real time. Brands such as Harley Davidson, Gallery Furniture, and Dole Asia credit Albert with significantly increased sales, an accelerated path to revenue, the ability to make more informed investment decisions, and reduced operational costs. Visit albert.ai to learn more.

