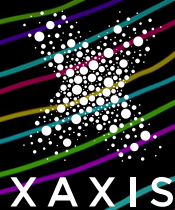


JULY 2018

ARTIFICIAL INTELLIGENCE

Myth versus reality in the
digital advertising world



XAXIS

in association with



“ A thriving digital ecosystem depends on digital advertising powered by innovation, creativity and efficiency. We are pleased to have worked with Xaxis on this research which highlights that the application of Artificial Intelligence in digital advertising can deliver better targeting, optimisation and business growth.

— Townsend Feehan, CEO, IAB Europe



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EXECUTIVE SUMMARY

The Understanding the Current and Future Impact of Artificial Intelligence survey undertaken by Xaxis in association with IAB Europe sought to explore how Artificial Intelligence (AI) helps brands to achieve business and digital advertising objectives. The results overall highlight how AI is a valuable tool for all stakeholders, producing tangible business outcomes.

THE KEY FINDINGS OF THE SURVEY ARE:

- 80% of those surveyed, viewed AI as the next industrial revolution.
- Almost 80% of respondents have a good understanding of AI. Intermediaries were the most confident in understanding AI with 91% somewhat or very confident. 80% of agencies said they felt confident in their understanding.
- AI has been seen to have had a positive impact/influence on business objectives. Nearly 50% of those surveyed felt AI improved productivity and increased competitive advantage.
- AI was seen to facilitate effective targeting and was able to enhance digital advertising objectives – right person, right place, right time. Indeed, better targeting was cited by 61% of agencies; 43% of publishers and 53% of intermediaries.
- Furthermore, identifying better qualified users/ audience was cited by 30% of advertisers; 55% of agencies; 40% of publishers and 42% of intermediary stakeholders.
- Respondents highlighted the key concerns for the future of AI as relying less on human control (47%), and gaining trustworthy insights (55%).

The background of the quote section is a dark blue field filled with a complex, glowing network of orange and yellow lines, resembling a neural network or a data visualization. There are also several small, glowing circles in various colors (blue, yellow, white) scattered throughout the network.

“ The most powerful, and largely unfulfilled, potential of AI lies in the bigger picture, in its ability to optimise towards business outcomes rather than simple metrics.”

— John Wittesaele. President EMEA, Xaxis

This survey, titled 'The Understanding the Current and Future Impact of Artificial Intelligence' identified that decision makers from all parts of the industry recognise the significant value AI can bring to achieve results across the digital advertising ecosystem.

The core application of AI in digital advertising is currently in delivering better audiences and deeper and faster analytics. In terms of overall

business outcomes, AI was seen to deliver improved productivity, faster innovation and growth. 53% of agencies believe AI delivers faster and deeper marketing analytics.

Many respondents agreed with the statement that 'AI will be the next industrial revolution', with the potential to deliver instrumental change in the digital advertising industry.

However, there is work to do in terms of reliability and trust; respondents highlighted the key concerns facing AI in digital advertising as relying less on human control, and the ability to gain trustworthy insights. It's about maintaining a positive and productive balance between AI, a human workforce, and end customers, the study found.

INTRODUCTION

Xaxis, in association with IAB Europe, conducted a pan-European survey to uncover the current and future impact of Artificial Intelligence in the digital ad tech industry. This included surveying all sides of the industry, from advertisers and their agencies through to publishers and intermediaries (ad tech partners).

The objective was to learn how recent innovations in AI technology can impact business operations, with the goal of dispelling the myths around AI and provide a realistic view of how it is being used to achieve results. It aimed to illustrate how the advertising ecosystem and all of its stakeholders are currently using AI.

THE SURVEY ASKED ABOUT:

- **Defining artificial intelligence**
- **How artificial intelligence is being used and where it has the most benefit**
 - **Challenges faced when using artificial intelligence**

The report draws on the results of this survey, from respondents' understanding of AI, its applications and core business outcomes, through to the challenges of the future.

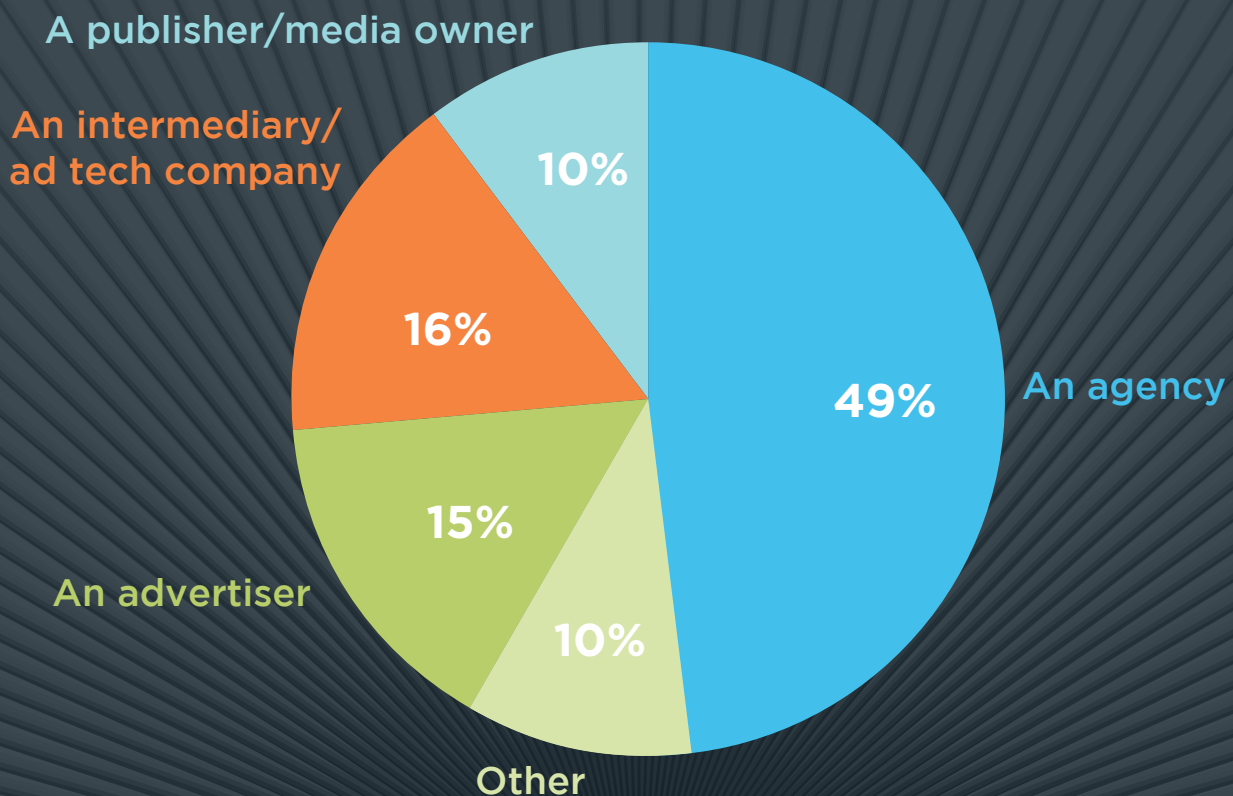
METHODOLOGY & PARTICIPANTS

This online survey leveraged the national IAB network in Europe to ensure a representative sample across European markets. The survey received over 1,000 respondents between March and April 2018.

The responses came from advertisers, agencies, publishers and intermediaries in 31 markets and respondents with both pan-European and global remits.

BREAKDOWN OF STAKEHOLDERS

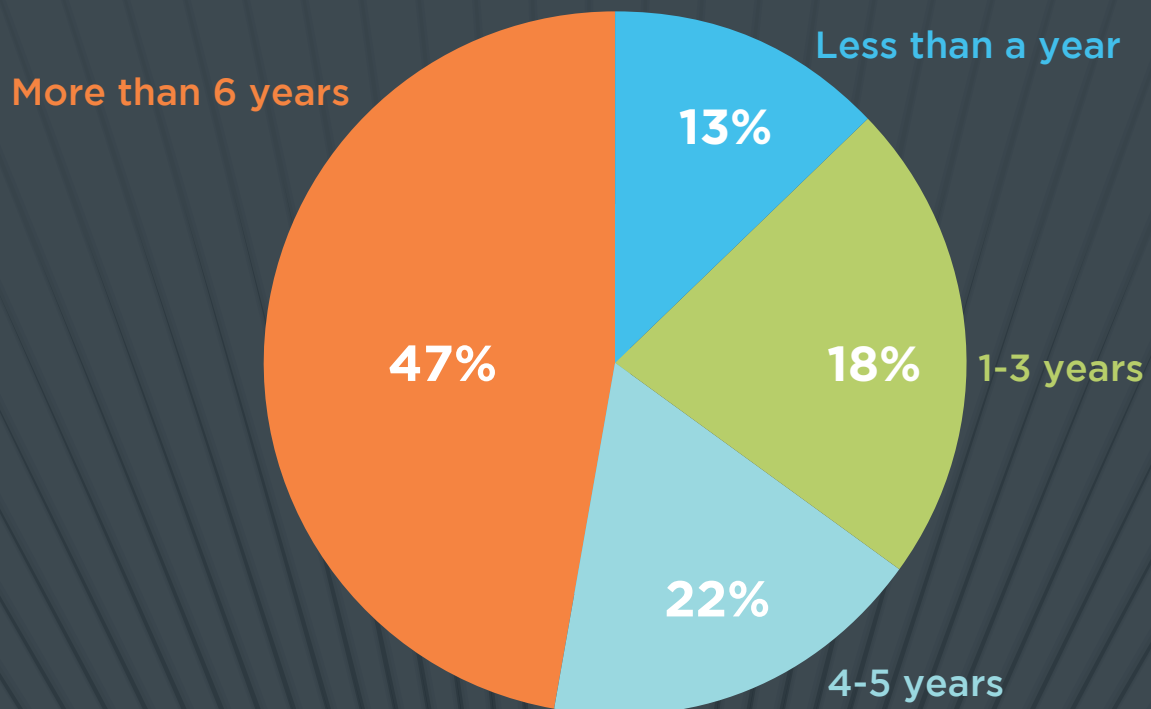
FIGURE 1





LENGTH OF TIME RESPONDENTS HAVE WORKED IN ONLINE ADVERTISING

FIGURE 2



WHAT IS AI?

Across the European digital advertising industry, there is a good understanding of Artificial Intelligence.

Many define AI as ‘algorithms autonomously running analytics across data’ as we see AI used in everyday functions such as search engines, product recommendations, financial trading and curated content. Some names that are synonymous with AI applications in the home are Google Home, Amazon Alexa and Apple Siri, for example.

Level of understanding

It is encouraging to see a good level of understanding of AI with over half believing that they are well informed. Intermediaries feel the most confident in understanding AI with 91% somewhat or very confident while nearly 80% of agencies feel confident.

Interestingly, almost a third (30%) of advertisers and publishers are not confident at all in understanding AI and how it could apply in their work.

Promisingly, all respondents felt AI has a positive impact on their job with 62% believing it improves strategic decision making.

Over three quarters believe AI innovation is the next industrial revolution. One of the key values of AI was highlighted as achieving ‘right person, right place, right time targeting’.

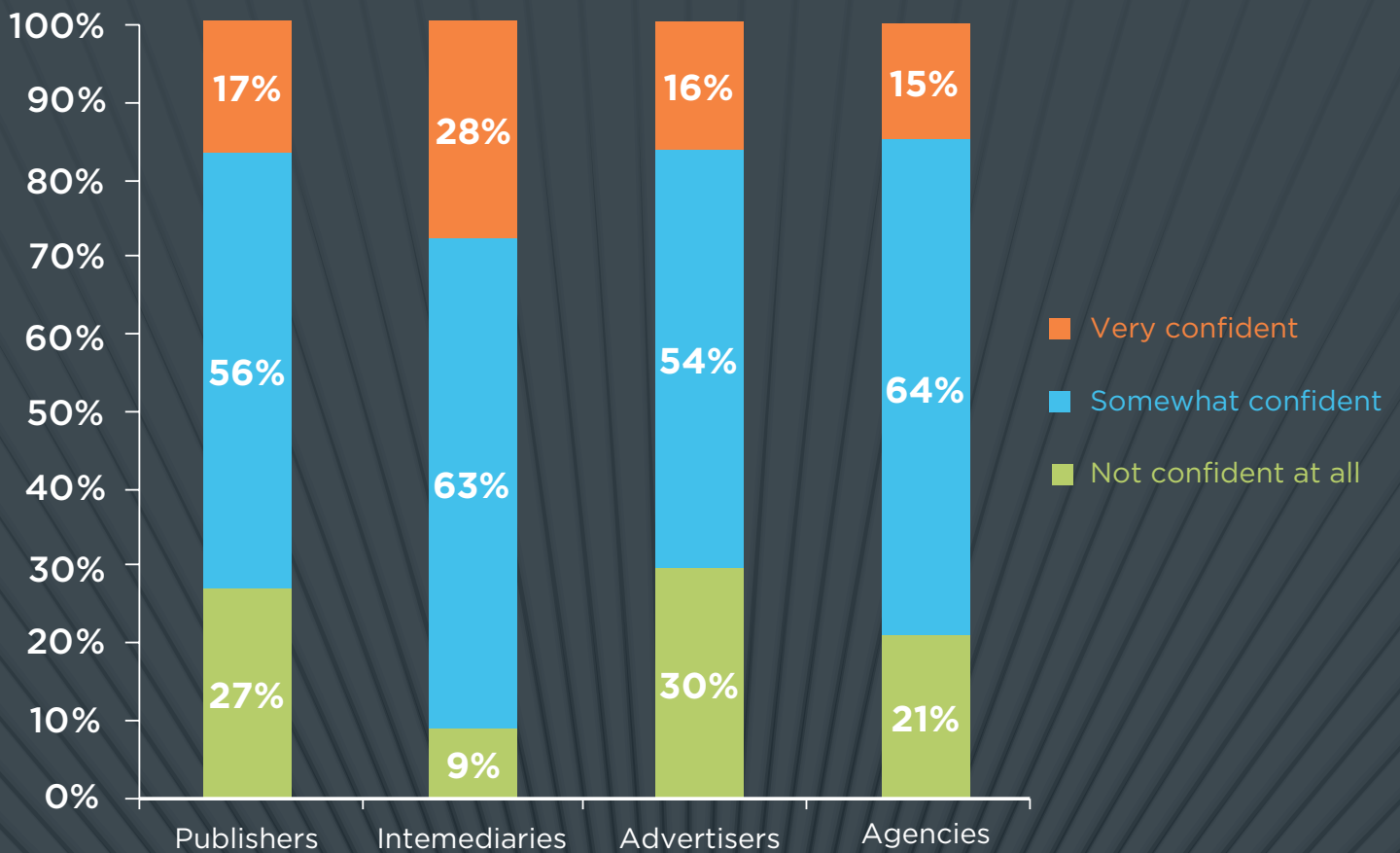
Improving productivity (47%) and increased competitive advantage (41%) were the forerunners when it came to identifying just how AI can impact business objectives.

Across Europe, there’s still room for growth however, as just over a quarter (28%) of respondents are not currently using AI to meet core business objectives.

Agencies in **Italy** are the most confident in their understanding of AI with 94% somewhat or very confident.

LEVEL OF UNDERSTANDING AI

FIGURE 3



THE CURRENT APPLICATION OF AI IN DIGITAL MARKETING

It's evident that AI is currently being utilised within digital marketing and with good results. Respondents say it's proving successful in driving and delivering innovation. All respondents recognise that with AI there is improved audience understanding and therefore better targeting. With the delivery of more relevant advertising, there are improved business outcomes and ultimately growth.

Advertisers

Almost a third of advertisers think that AI helps identify better qualified users/audience and therefore better targeting.

Advertisers in **Norway** use AI in digital marketing to drive business growth as much as they use it to deliver better targeting (both scoring 44%). Nearly two thirds of advertisers in **Spain** use AI to deliver better targeting (64%).

Agencies

Agency respondents were more confident about the power of AI in delivering better targeting. Over half felt it achieved better qualified users/audience and enabled the delivery of more relevant advertising.

Half of agency respondents in **Norway** (54%) and **Portugal** (50%) also use AI in digital marketing to enable full optimisation of the media buy (54%). Half of agency respondents in **Portugal** (51%) use AI to drive innovation in digital marketing.

Publishers

The principal uses of AI amongst publishers were the same as buy-side respondents; to deliver better targeting and identify better qualified users/audience. Almost one in three publishers report a drive in business growth as a result.

Surprisingly, 80% of publishers in **Italy** are not using AI for any digital marketing purposes.

In contrast, almost two thirds of **German** publisher respondents are using AI to drive more profitable acquisitions from marketing spend (60%) and to identify better qualified users/audience (60%).

The primary use for AI among publishers in **Spain** is to enable the delivery of more relevant advertising.

Intermediaries

Across Europe, just over a third of intermediaries cited better business outcomes as an area that AI helps to drive. Just over half of intermediaries stated that AI delivers better targeting, with 42% agreeing it identifies better qualified users/audience.

Over two thirds of intermediaries in **Poland** use AI in digital marketing to enable full optimisation of the media buy (67%).

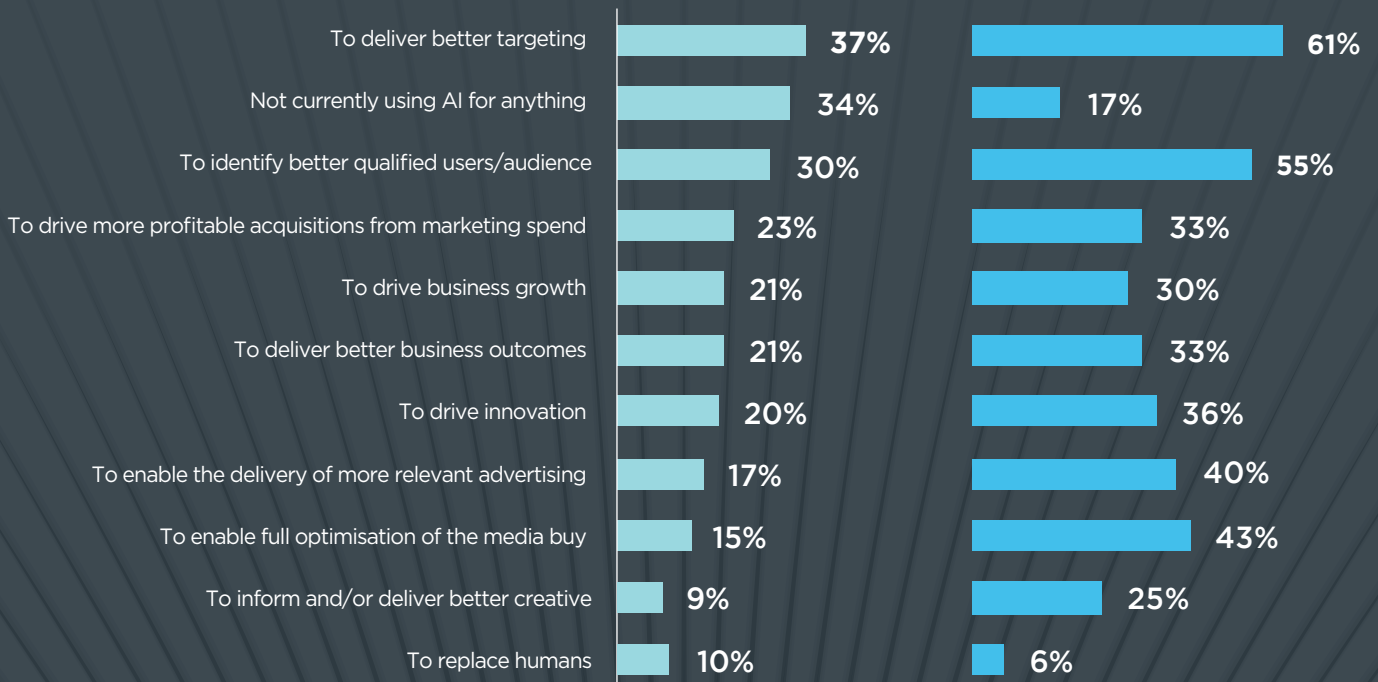
Meanwhile, over half of intermediaries in **Portugal** use AI to drive more profitable acquisitions from marketing spend (57%).

APPLICATIONS OF AI IN DIGITAL MARKETING

FIGURE 4

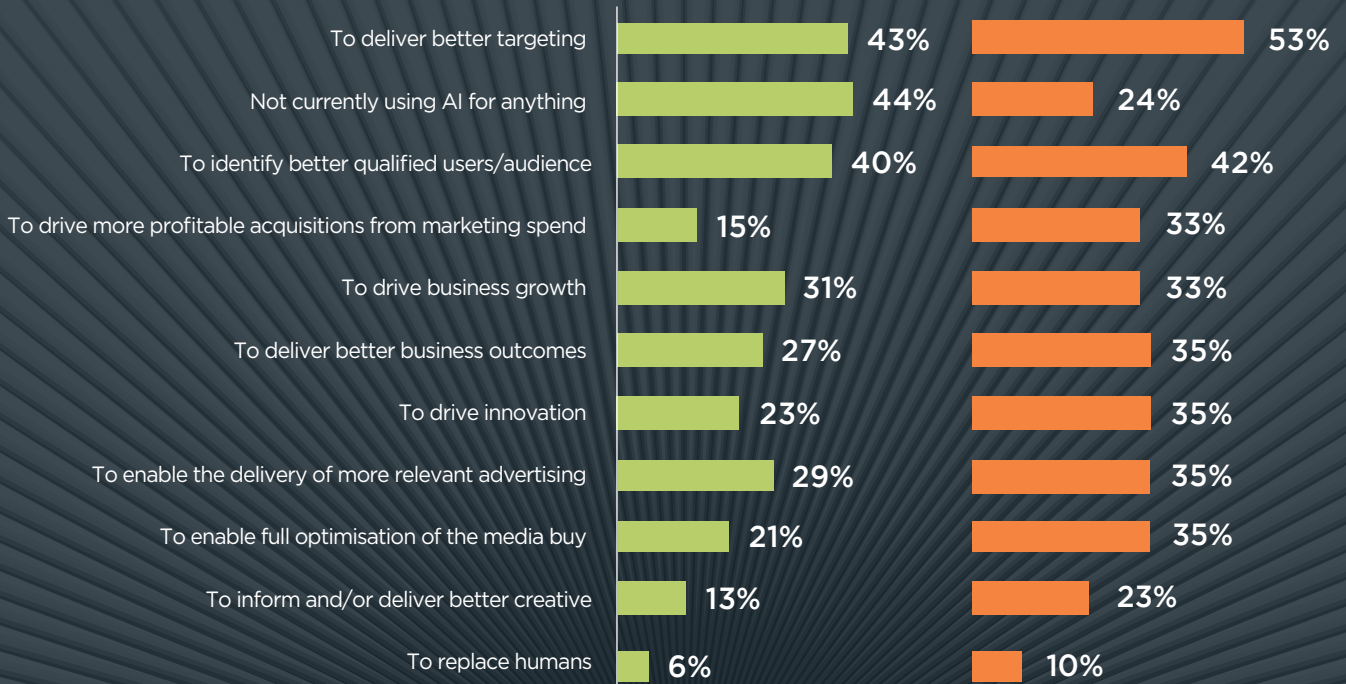
Advertisers

Agencies



Publishers

Intermediaries



ACHIEVING CORE BUSINESS AND DIGITAL ADVERTISING OBJECTIVES WITH AI

BUSINESS OBJECTIVES

All respondents cite improved productivity and increased competitive advantage as the greatest benefits of AI when it comes to achieving their core business goals.

Advertisers

Advertisers state that AI can improve productivity, deliver faster innovation and identify growth opportunities.

Nearly three quarters (71%) of advertisers in **Germany** and more than half (56%) in **Italy** are using AI to deliver faster innovation within business. More than a third of advertisers in **Spain** say AI improves productivity (36%) and equally believe it increases competitive advantage (36%).

Advertisers in the **UK** felt the main advantage of AI to their business objectives was by delivering increased profitability (32%).

Agencies

Agencies agree with advertisers and state that AI can improve productivity and deliver faster innovation. They also state that it can increase competitive advantage.

Agency stakeholders in **Germany** believe that AI is helping to deliver increased profitability equally as much as it increases their competitive advantage. In **Poland**, almost one in three agencies (32%) state that AI delivers increased profitability while in the **UK** the number is higher with 46% citing increased profitability as a result of AI.

“AI” is being used in product descriptions and marketing in the way “electric” or “wireless” were used in previous decades: a novelty until it becomes ubiquitous. Emphasizing the “AI” in systems that makes decisions from uncertainty in data will soon sound as unnecessary as saying “a wireless, electric, cellular telephone”.

— **Jacob Grabczewski, Director Product Management, Xaxis**

Publishers

Publishers said the main business objectives that are met using AI are improving productivity, increased competitive advantage, delivery of increased profitability and identification of growth opportunities.

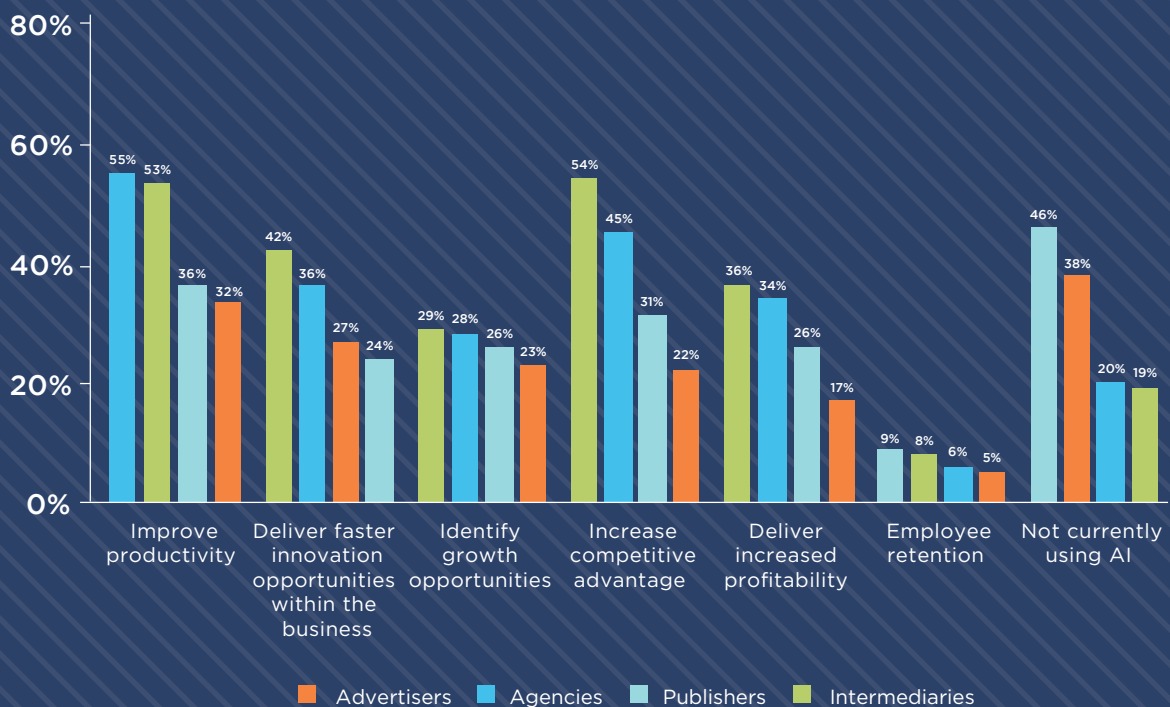
AI is successfully driving faster innovation in their businesses, according to 50% of publishers in **Portugal** with 40% in **Italy** and 33% in the **UK** agreeing. Just over a third (36%) of publishers in **Poland** say AI delivers increased profitability.

Intermediaries

Intermediaries felt more strongly about the AI benefits in their business – over half saw an increase in competitive advantage and an improvement in productivity. Over 40% also felt AI helped to deliver faster innovation within the business.

BUSINESS OBJECTIVES THAT AI HELPS TO DRIVE

FIGURE 5



DIGITAL ADVERTISING OBJECTIVES

When looking at how AI is used to achieve digital advertising objectives specifically, many stakeholders see the benefit of AI as delivering better audiences, faster and deeper marketing analytics and improved conversion rates.

Agencies

Almost two thirds of agency respondents believe the application of AI can identify better qualified users/audiences with half saying it delivered faster and deeper marketing analytics and improved conversion rates. Agencies also believe that AI can deliver lower cost per acquisition (CPA) rates and increase leads.

Agencies in **Germany** also highlighted that AI is instrumental in lowering CPA rates (43%) and equally in increasing leads (43%).

Advertisers

Delivering faster and deeper marketing analytics was highlighted as a key benefit of AI by 40% of advertisers, closely followed by identifying better qualified users/audiences and improved conversion rates.

Publishers

Publishers were less convinced about the power of AI for digital advertising objectives. While half said better qualified users/audiences were identified, only 38% said it can deliver faster and deeper marketing analytics and even less said it can improve conversion rates.

Intermediaries

Intermediaries were more evenly split when considering the benefits. Similarly to agencies and publishers they state that it can deliver better qualified users/audiences, improved conversion rates and better and deeper marketing analytics.

Intermediaries in **Germany** state that AI helps with improving marketing automation (63%) and lower CPA (63%). Meanwhile, they under index in stating that it helps with delivering faster and deeper marketing analytics (38%) and improving conversion rates (25%). Half of intermediaries in **Norway** believe AI helps increase sales volumes.

DIGITAL ADVERTISING OBJECTIVES THAT AI HELPS TO DRIVE

FIGURE 6

	Advertisers	Agencies	Publishers	Intermediaries
DELIVER FASTER AND DEEPER MARKETING ANALYTICS	40%	53%	38%	44%
NOT CURRENTLY USING AI	39%	14%	39%	20%
IDENTIFY BETTER QUALIFIED USERS/AUDIENCES	38%	62%	50%	53%
IMPROVE CONVERSION RATES	36%	51%	36%	49%
IMPROVE MARKETING AUTOMATION	29%	42%	25%	33%
INCREASE LEADS	26%	42%	14%	27%
LOWER COST PER ACQUISITION	25%	40%	20%	35%
INCREASE AND OPTIMISE WEBSITE TRAFFIC	23%	37%	28%	28%
INCREASE SALES VOLUMES	18%	25%	21%	24%
INCREASE SHARE OF VOICE	12%	14%	8%	11%

“ Those in the advertising industry should feel confident in their position; while machines excel at automation, and memorisation, marketers’ strongest skills are based on communication, improvisation and trend spotting – Renée Mellow, Head of Emerging Digital Activation, EMEA, MediaCom

CHALLENGES AND THE FUTURE OF AI

Just how much impact is AI having throughout the European digital advertising industry?

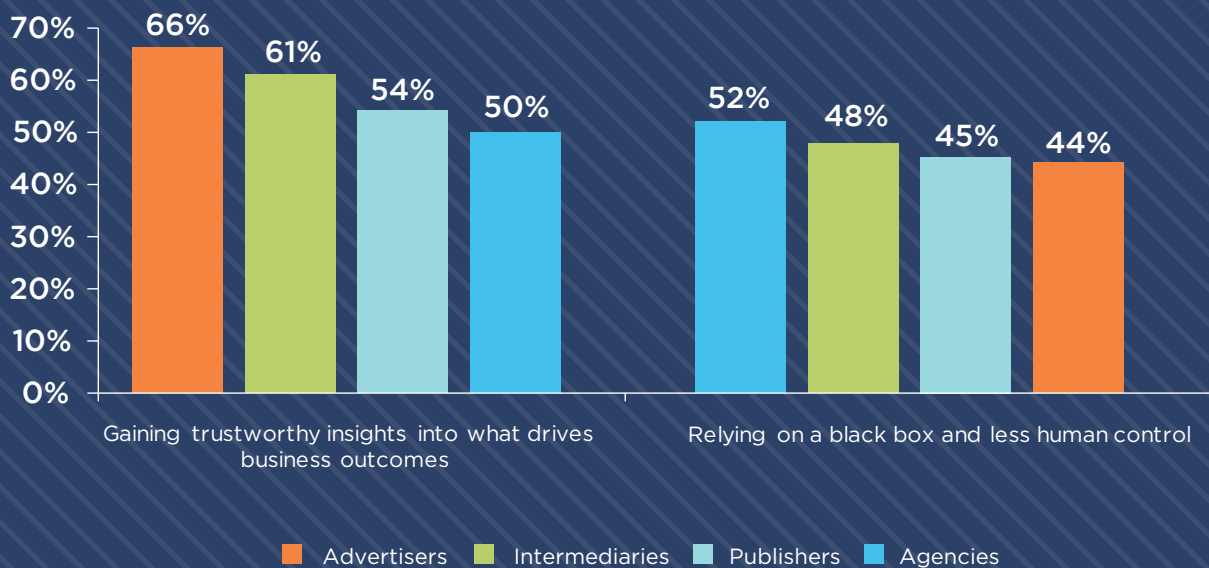
Currently, AI is seen to be most beneficial in targeting the right person, in the right place, at the right time.

Further key impact areas were in improving efficiencies by replacing manual/repetitive processes, closely followed by identifying better qualified users/audiences.

All respondents agree that the top two challenges for marketing departments in handling AI and advertising automation are centred on relying on a black box and less human control and gaining trustworthy insights into what drives business outcomes.

THE TOP TWO CORE CHALLENGES FACING MARKETING DEPARTMENTS WHEN IT COMES TO AI AND AUTOMATION IN ADVERTISING

FIGURE 7



Robots taking over jobs proved an unfounded fear. Very few respondents felt AI would have a negative impact on their work. The majority, in fact, felt AI would have a positive effect on their overall employment by providing more time to make strategic decisions – reducing repetitive processes (62%). 59% of respondents thought that AI would mean they have greater and better access to relevant data to make decisions.

A top challenge for AI is in finding and retaining the right talent, according to respondents in **Germany** – as stated by 71% advertisers, 43% agencies and 50% intermediaries. Two thirds of advertisers in **Spain** also believe this is a key challenge (64%).

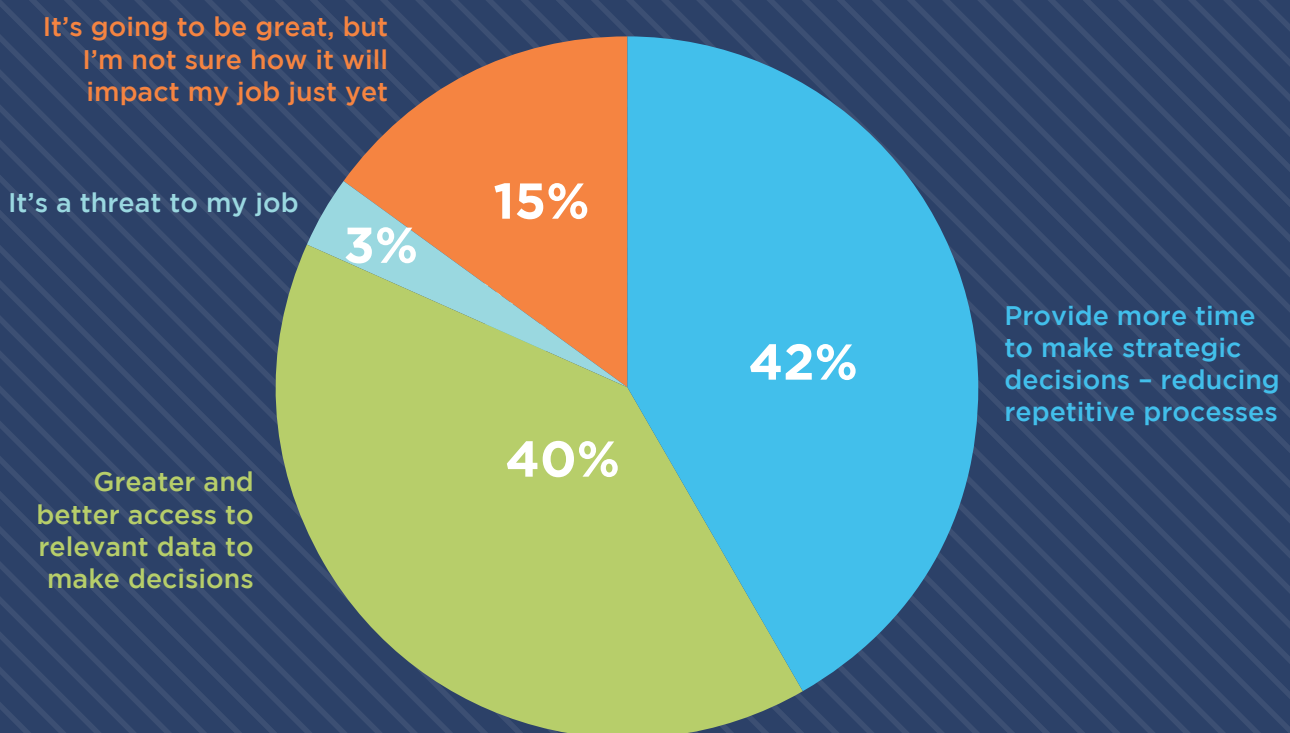
A differing view comes from **Poland** as half of agencies (49%) believe that diverting marketers from tactical implementation is more of a challenge than gaining trustworthy insights into what drives business outcomes (40%).

AI will have the most impact in driving innovation, according to advertisers in **Poland** (67%). Publishers in **Poland** believe that improving marketing automation (55%) is another area in which AI will prove beneficial.

Advertisers (73%) and publishers (88%) in **Spain** think marketing automation is the area in which AI will have the most benefit. Half of publishers in the **UK** state that AI will be most beneficial in driving business growth.

HOW RESPONDENTS FEEL AI WILL IMPACT THEIR JOBS

FIGURE 8



So, is AI going to be the next industrial revolution?

More than three quarters of all respondents believe it will. Furthermore the majority of respondents across all markets in Europe believe that AI and its applications will differentiate their businesses from their competitors.

In terms of continuing development, currently more than three quarters of respondents use online resources as their educational source for AI.



It's hard to overstate how big of an impact AI is going to have on society over the next 20 years

— Jeff Bezos, CEO Amazon.com*

CONCLUSION

This report has summarised the findings of the Understanding the Current and Future Impact of Artificial Intelligence (AI) survey that Xaxis undertook in association with IAB Europe. In conclusion, AI is having a valuable impact on key business and digital advertising objectives and will continue to deliver innovation. Currently a relatively 'new' application in digital advertising, AI will soon become an integral part of day-to-day operations re-engineering how marketers implement campaigns.

*Source: Code Conference, California, June 2016.

ABOUT XAXIS

Xaxis is The Outcome Media Company. We combine unique brand-safe media access, unrivalled programmatic expertise, and 360-degree data with proprietary artificial intelligence to help global brands achieve the outcomes they value from their digital media investments. Xaxis offers managed programmatic services in 47 markets, including North America, Europe, Asia Pacific, Latin America, the Middle East, and Africa.

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ABOUT IAB EUROPE

IAB Europe is the leading European-level industry association for the digital advertising ecosystem. Its mission is to promote the development of this innovative sector and ensure its sustainability by shaping the regulatory environment, demonstrating the value digital advertising brings to Europe's economy, to consumers and to the market, and developing and facilitating the uptake of harmonised business practices that take account of changing user expectations and enable digital brand advertising to scale in Europe.

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