
RED SKY PREDICTIONS 2018

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RED

AGENCY

PREDICTIONS 2018

This will be the year of digitally – driven transformation – with a twist. New checks and balances will come into play to reign in the runaway train as we hurtle towards a new era in marketing, media and corporate reputation.

It will be the year marketers get real with AI – and get to grips with Blockchain. New rules of engagement will put the brakes on the fakes. Government will lead a Tech Lash against the power of new Net States. Digital media models will merge in the social space, and store managers will morph into marketing managers in the retail space. Increasingly political brands will champion social change, emboldened by consumers who, disillusioned with government, look to stand with brands that stand for something instead.

In 2018, change is the only certainty. Standing still is not an option.

This is what to expect.

1.

RUSSIAN ROULETTE: WORLD CUP ACTIVATION OR ACTIVISM?



The most interesting games during the 2018 Football World Cup won't be on the playing field. With continued global uncertainty, and heightened tension between Russia and the US in particular, sport (and the accompanying massive brand investment of sponsors) will compete for attention with politics.

The potential for conflict and backlash including boycott campaigns from pressure groups that want to raise awareness of the human rights issues will discourage brands from activating on the ground in Russia: They will activate online where it is safer.

With both the host country and the event organiser, corruption-plagued FIFA, under scrutiny, the tournament is struggling to fill second and third tier sponsorships, with corporations not prepared to put their bucks or reputations on the line.

One brand that will activate on the ground is the host country itself. Following its exclusion from the Korean Winter Olympics for state-sponsored systematic doping, Banned Russia will seize the opportunity to become Brand Russia.

With the event to be hosted across nine cities, it will be Russia's opportunity to open its doors to the world and put a state-sponsored spin on how far it's come economically and socially.

The world's biggest sporting event will open up the country to a record number of journalists and media outlets like never before. If, however, mooted restrictions on journalist accreditation and freedom of movement sees media coverage beyond soccer games hamstrung, reporting will be reduced to Bland Russia.

2.



TECH LASH: KEEPING BIG TECH IN CHECK

'All care and no responsibility'. Your dry cleaner might get away with that disclaimer, but the world's biggest tech and online media companies no longer will. A growing Tech Lash will see governments force tech giants to take greater responsibility for content, advertising and manipulation of their platforms by dark forces.

You know, like not publishing fake news, enabling foreign governments to interfere in elections, facilitating abuse, or allowing encrypted apps to be used by terrorists or hacktivists, all while selling ads (including to pesky election fiddlers from Russia) in the world's biggest advertising space.

Their massive scale, reach, power and influence has made tech titans global superpowers – Net States overseeing the world's biggest communities.

And they don't come bigger than Google and Facebook: Facebook has three products with more than 1 billion active monthly users each* – Facebook (2 billion – more than the combined populations of China, Russia, USA and Japan), WhatsApp and Messenger. Google^ owns seven - including YouTube (1.5 billion**). When it comes to wanting

answers, in Google we trust: We search it more than 3.8 billion times every day***.

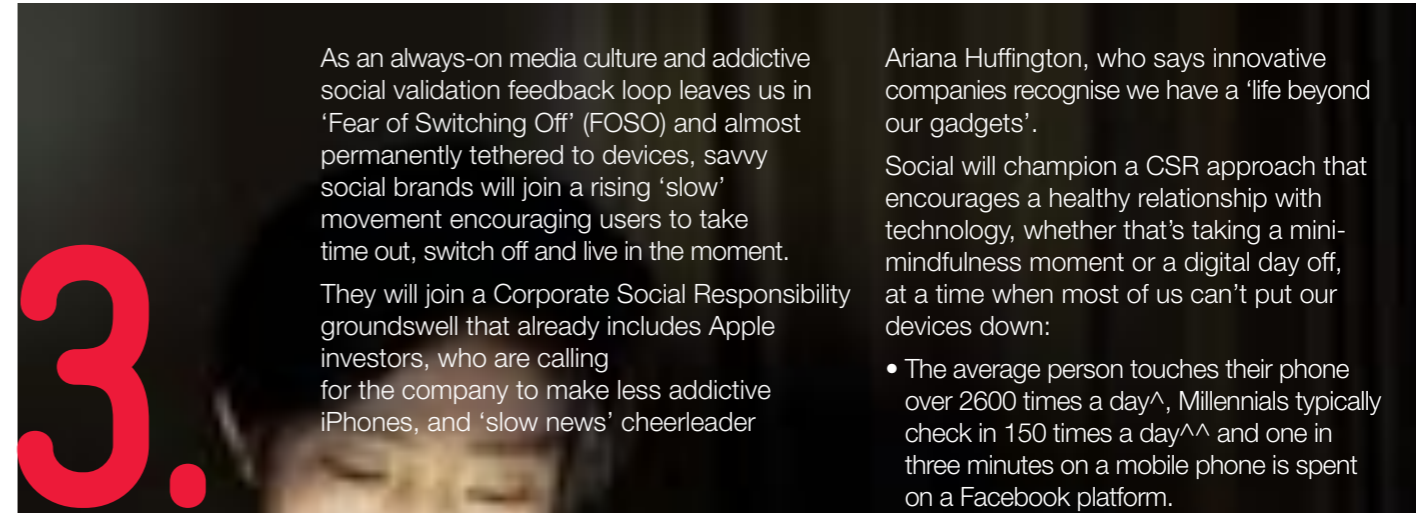
Net States rose to power before we recognised the need to keep tech in check. They're hard to regulate, operating beyond the traditional borders, boundaries and regulatory frameworks of nation states. Google has data barges in international waters.

But the tide is turning. France and Germany have introduced fines for not taking down Nazi content online. Tech execs have been hauled before Congress. The UK's new digital charter will establish 'ethical norms and boundaries', holding big tech to account for distribution of extremist material and images of abuse – and aims to tackle Facebook and Google's digital advertising duopoly to create a 'fair economic landscape' for more media players.

Until now, self-regulation has been the default position. Big Tech's answer to problems on Big Tech platforms? Big Tech technology.

In 2018, presenting as the solution to your own problem won't cut it anymore.

3.



FOSO - FEAR OF SWITCHING OFF: PRESS PAUSE AS 'ALWAYS-ON' TAKES A TOLL

As an always-on media culture and addictive social validation feedback loop leaves us in 'Fear of Switching Off' (FOSO) and almost permanently tethered to devices, savvy social brands will join a rising 'slow' movement encouraging users to take time out, switch off and live in the moment.

They will join a Corporate Social Responsibility groundswell that already includes Apple investors, who are calling for the company to make less addictive iPhones, and 'slow news' cheerleader

Ariana Huffington, who says innovative companies recognise we have a 'life beyond our gadgets'.

Social will champion a CSR approach that encourages a healthy relationship with technology, whether that's taking a mindfulness moment or a digital day off, at a time when most of us can't put our devices down:

- The average person touches their phone over 2600 times a day^, Millennials typically check in 150 times a day^^ and one in three minutes on a mobile phone is spent on a Facebook platform.
- Almost one in two people say they 'couldn't live without their smartphone'*.
- 43% of Millennials would rather give up sex than the Internet**.

We already know excessive screen time takes a toll on physical and mental health, neurological development and personal relationships, from eye strain, 'text neck' and obesity, to sleep, learning and attention disorders, as well as anxiety, depression and chronic loneliness, especially among Millennials.

Always-on is unsustainable. The slow movement will remind the wired and tired that the power to switch off occasionally, like the devices themselves, is in their hands. And in their interests.



AUSTRALIANS JUST CAN'T SWITCH OFF

Smartphones may have set us free from desks, landlines and turned us all into instant photographers, but they have also given rise to an insidious new problem: FOSO, the fear of switching off, as Australians just can't put those devices down. We've tried, we've failed and we're worried about it.

The YouGov Galaxy Artificial Intelligence Study commissioned by Red Agency in February 2018 found the amount of time young people spend staring at screens is the biggest technology worry for Australians. Two in three people (64%) are concerned about the 'head down generation' moving through life with their faces seemingly permanently buried in their devices. We're also watching our (increasingly digital) wallets, with the cost of upgrading devices every few years our next biggest concern (59%).

SLEEPING WITH THE ENEMY?

More than eight in 10 (84%) of us have slept with a mobile phone in our bedroom, including 61% who have it by their side most nights. It seems we prefer checking feeds to getting zzz's: Seven in 10 of us (71%) like to use social media in bed.

Millennials are the most likely to take their device to bed, with eight in 10 (79%)

sleeping with it and six in 10 (60%) checking social media in bed most nights. Baby Boomers are happy to get updated after getting up, with just 13% checking social media feeds overnight.

DISRUPTING SLEEP – AND EACH OTHER

There is a price to pay, with our own phone use and that of others leaving us wired and tired, buoyed and annoyed. Three in four of us (73%) who sleep with a mobile phone in the bedroom have had our sleep interrupted (apart from alarms). When it comes to device-driven anti-social behaviour, nine in 10 of us have been on the receiving end of other people texting during a conversation (88%) or using their phone while having dinner (87%) with us. We've been set free from the office but not the job: 85% of full-time workers now check their work-related emails outside of work hours.

WE'RE TRYING – AND FAILING – TO CUT DOWN

About 10 million Australians have made an effort to restrict the amount of time spent online, with women (57%) and Millennials (61%) more likely to have done so than men (45%), Gen X (59%) and Baby Boomers (43%). Almost all fail miserably.

While there is almost universal agreement (95%) that it is important to have time-out

from Internet screens (including 61% who consider it very important), most attempts to reduce screen time fail – in most cases (55%), we cave within a few hours.

For one in five Millennials (19%), the switch to ditch the screen lasts mere minutes, with the urge to purge no match for the power of the ping when a new message, alert or notification arrives.

Regardless of age, most of us can't sustain a long-term change in habitual screen staring, with less than one in 10 of us (9%) able to maintain a digital diet of reduced online screen time for a whole week.

FOSO LEAVING MILLENNIALS ISOLATED

In an ironic double whammy, the hyper-state of 'always-on online' that has given rise to FOSO has made Millennials both history's most connected – and disconnected – generation, isolated and plagued by loneliness.

The 2017 Dis/Connect Study, conducted by Galaxy for Red Agency revealed loneliness is a major issue amongst young Australians and lessens with age. Almost one in two 18-24 year olds (42%) feel lonely every day (16%) or regularly, compared to one in four 35-49 year olds (23%) and only 17% of people aged 50-plus.

* Balakrishnan, Anita, Here's how billions of people use Google products, in one chart, CNBC, 18 May 2017, <https://www.cnbc.com/2017/05/18/google-user-numbers-youtube-android-drive-photos.html> ** Muggah, Robert, Countries are so last-century. Enter the 'net state', World Economic Forum, 9 November 2017, <https://www.weforum.org/agenda/2017/11/countries-nations-net-states-globalization-populism/> *** internetlivestats.com, retrieved 1 March 2018 ^ Google products owned through parent company Alphabet Inc.

4.

WORD OF DOUBT? MICRO INFLUENCERS GET A REALITY CHECK



The booming digital advocacy space has become a dangerous place. With influencer marketing efforts capturing the thumbs and minds of highly engaged online audiences, there's an increasing lack of transparency and accountability leading to Word of Doubt around digital word of mouth.

Over the next year, leading influencer marketing platforms like Instagram will introduce further features to not just highlight paid collaborations, but sniff out inauthentic endorsements that inspire unrealistic brand and product expectations.

As the Micro Influencer market matures and relatively small 'social celebrities' become brands in their own rights, the reviewer/spruiker will be held to stricter standards of accountability. In a world where Micro Influencers (typically with fewer than 10,000 followers) often hold more sway over their smaller, highly engaged fan communities than any old Kardashian – the marketing world will demand a new level of transparency.

Eight in 10 consumers (82%) are 'highly likely' to follow a Micro Influencer's recommendation, and 94% believe they are more credible,

believable and knowledgeable than the general population^.

Over the coming year, Micro Influencers and their endorsements will be reviewed for credibility and authenticity using new metrics, features and tools. Think social 'reality rates' controlled by followers where consumers will feed back on influencer endorsements and keep the reality of their recommendations in check. Brands will finally get insight into their audiences and partnership performance through smarter social influencer measurement systems and metrics. And consumers will get insight into the authenticity of the partnerships they're being seduced by.

Scrutiny will go beyond #spon disclosure to question legitimacy and appropriateness. We know it's sponsored, but is the message genuine? Can you trust it? And should followers even be given that advice in the first place? The answers will either reinforce Word of Doubt – or validate an Influencer's clout.

^ Micro Influencer study, conducted by The Keller Fay Group and Dr Johan Berger, Marketing Professor, Wharton School, University of Pennsylvania, commissioned by Experticity (USA), March 2016
http://go2.experticity.com/rs/288-AZS-731/images/Experticity-KellerFaySurveySummary_.pdf?_ga=2.198358188.2099049855.1519688411-1564178859.1519688411

5.



SCHMOOZE OR LOSE: 'ALGOLUTION' CHANGES THE RULES OF ENGAGEMENT

2018 will be the year of the 'Algolution', an algorithm-led revolution with social channels re-writing the rules for playing in the social sandbox. Brands and consumers will be forced to adapt to this new mechanic – or be sidelined from the main game.

It's bye-bye organic reach and sneaky engagement tactics; hello pay-to-play, highly targeted and meaningful interactions through super-relevant content as people become more responsible for curating their own experiences.

In a world where, through algorithms, we direct our own online experiences, many still fail to realise their actions are fuelling what they see. Or don't see. Rather than a set of prescribed content experiences, the Algolution will give power to those who know how to harness it – and isolate those who don't in a social bubble of their own making.

As Facebook leads the charge by deprioritising 'public' content from brands and publishers and cracking down on fake news and trick engagement tactics, the Algolution will penalise brands that dress up irrelevant content as bait to get high value engagements, leading to their brand being prioritised in news feeds.

Other changes put the brakes on the tsunami of branded and publisher video content flooding social sites and feeds through algorithmic favourability over the past few years. This torrent of top funnel content means people are consuming more, but connecting and sharing less. High levels of passive engagement that reduce personal sharing habits is a big problem for platforms when their purpose in peoples' lives is to connect those people with their inner circle.

Cue algorithms that reward relevance, prioritise personalisation, encourage conversational comments and make it harder for brands to ride off the back of partnerships they haven't paid for. The new route to a social audience will be through hyper-relevance, meaningful interactions, connections and engagement.

In 2018, if you don't schmooze, you lose.

6.



ALL OR NOTHING: MERGED MEDIA TAKES OVER

Any Survivor fan knows when the tribes merge, it's a game changer.

Brands that want to outwit, outlast and outplay in the social space in 2018 will have to re-imagine media models as the lines between paid, owned and earned don't just cross, but merge.

This fundamental shift means marketers can no longer look at pay to play, owned channels or earned reach in isolation. One won't work without the support of the others anymore.

Organic reach on its own will become a thing of the past as all major social platforms transition to paid-only exposure in 2018. And paid exposure will need a leg up, because relevance and shaping meaningful interactions has never mattered more.

Merged Media will harness the power of three to deliver control, reach and spread: Brands will reach their intended audience via paid; control what they say via owned; and spread their story that relies on relevance to others through earned media.

The art will come in striking the right balance in the way the content is:

- Crafted – by the brand, for the fans
- Co-created – with the brand, hand in hand with paid partners, and
- Curated – by the fans, about the brand.

Social media will shed the tool label and flex its muscle as a fully fledged mass media channel where shared social value is created and spread across multiple channels, in multiple content shapes.

The tribe has spoken.

7.

AUTHENTIC INTELLIGENCE: AI GETS REAL



This year, AI will be used increasingly in all forms of communication and CMOs will embrace it – willingly or unwittingly – to drive more powerful, authentic and streamlined customer experiences.

AI is already in your life, even if you don't recognise it. It's making cars driverless and shopping easier. We're advised by robots for everything from what movie to watch, to where to put our money. A robo-advisor is probably managing your investments, with assets 'under automated management' in financial services. Utilities use it to forecast electricity demand. Retailers rely on it to automatically order stock when supplies run low.

AI will help marketers better understand customer preferences, likes and dislikes, capture feedback insights instantly, and track all interactions to improve customer care across the entire customer lifecycle. It's already keeping customers in the loop, from real-time online order tracking, to two-way chat via Facebook Messenger chatbots, and voice assistance via Amazon Alexa and Google Assistant.

Expect huge investments and pioneering in AI, with China leading the way. China and the US have grown AI "ecosystems" – clusters of entrepreneurs, financiers and AI users. Big wins to date include speech recognition, image classification, autonomous vehicles, machine translation,

question answering systems and highly intelligent industrial robots.

The potential benefits are huge, will have a profound impact on humanity and healthcare, from eradicating disease and poverty to repairing environmental damage. AI systems can already diagnose diabetic eye disease and skin cancer. We will soon be able to take selfies and have blemishes analysed for skin cancer on the spot – without a human doctor involved.

The flipside – the risks – will need to be managed on a global scale and require treaties between Governments. Big issues include:

- Privacy – with AI able to interpret massive surveillance datasets and many systems running in the cloud.
- Global safety and security – including lethal intelligent autonomous weapons.
- Accountability – who is responsible when a self-driving car crashes or a wrong medical diagnosis is made without a human doctor involved?
- Job futures – managing the economic and human impact of jobs displaced by AI.

As the stuff of Hollywood movies becomes reality, expect increased focus on ethics and control, and Government and education pushing STEM as crucial skills for an intelligent future.



HOW DO AUSSIES FEEL ABOUT AI?

When it comes to the increasing use of Artificial Intelligence in our lives, health is the top hope and jobs the biggest concern for Australians. And when we think of AI, more of us (43%) think of robots than anything else.

The YouGov Galaxy Artificial Intelligence Study commissioned by Red Agency in Feb 2018 found that while almost all of us (93%) are worried about increasing use of technology generally, almost as

many (87%) want to see AI technology advance in the future.

Healthcare is our number one priority, with 61% saying we'd like to see systems that help doctors choose the most appropriate medication for patients (with women the most supportive).

Others were keener on speech recognition software (37%) and self-drive cars (37%), particularly men, with 42% eager for self-drive cars and 41% interested in speech recognition software.

While almost half (43%) are enthusiastic about future AI developments, others are more cautious, with one in three (35%) saying it troubles them. The biggest AI cheerleaders are Millennials (57%), men (53%) and those in full time work (52%), with Baby Boomers (43%) and women (40%) the most likely to fret about its implications.

Our biggest concerns are job losses (61%) and AI making the right decisions in emergencies (60%), perhaps needing reassurance those self-driving cars will know how to slam on the brakes when needed. Women (67%) and Baby

Boomers (68%) are the most concerned that increasing use of AI could result in job losses.

Almost six in 10 workers (57%) believe automation and technological advancement poses a threat to their current job. Just one in three workers (33%) are confident robots could never perform their job.

In what may be a case of realists prepared to embrace change, versus deniers preferring to keep their heads in the sand, the results highlighted an intriguing relationship between attitudes towards AI and perceived risk to an individual's job.

Those who are most excited about AI are also more likely to believe the increasing use of technology poses a threat to their job. In contrast, those with the most concerns about AI are more likely to think a robot could never do their job.

Like a plot from a James Bond movie come to life, when it comes to privacy and security, one in two are anxious about governments or private companies using AI to spy or keep track of us (52%) or, worse, war breaking out if it falls into the wrong hands (52%).

8.



COMING TO A STORE NEAR YOU: THE LOCAL CMO

With bricks and mortar retail under massive pressure to recover territory lost to online and mobile shopping, store managers will become the de facto CMO for the space where they know the consumer best: their local store.

They will curate and customise relevant shopping experiences in-store with product offerings tweaked to specific needs of customers in the surrounding area, as local retail fights back in a channel-saturated landscape.

As the on the ground expert, the local manager will be empowered by HQ to give their outlet a bespoke local twist reflecting its specific location. The central CMO role will evolve from strategy development and implementation to defining rules that enable the brand to breathe at the experience level in-store.

A backlash against globalisation that serves up monotonous homogenous will fuel the shift to local reinvention and experience marketing. Retailers that

previously sought to create universal brand experiences across the board will ditch the goal of a commodity business in every location in favour of delivering a customer experience relevant to the local audience.

The local store will touch people where they live, in a space that reflects the culture and demographics of the surrounding community. The individual value of each consumer will increase, with brand differentiation driven by the customer's experience in retail.

The brand look and feel will be the same, but the customer experience in each location will be different – and make the local store a desired destination to go to, not just a place to buy from.

9.



NEW KID ON THE BLOCK(CHAIN) MOVES IN

Blockchain will become a marketing game changer – once marketers get to grips with what it is and what it can do. Early adopters are on their way: Melbourne's RMIT launched Australia's first short course in Blockchain Strategy in February 2018.

What is Blockchain? A decentralised, shared ledger that records transactions in a verifiable, secure and permanent way. It is revolutionising the exchange of things of value, allowing complicated transactions to be done instantly through programmable digital tokens and complicated cryptography.

While countries and companies are launching cryptocurrencies, don't be distracted by Bitcoin and co as bit players. The real value of Blockchain to marketers won't be as a digital currency, but as a direct path to consumers.

Marketers will be able to reach customers and prospects one-on-one, wooing them with incentives – think free product and service trials, incentives and rewards, competition prizes, gaming and loyalty programs. Consumers will build relationships with brands too.

They will leverage Blockchain networks to exchange value and buy and sell services, and Blockchain will become retail 3.0, after bricks and mortar and e-commerce.

Blockchain can digitally track the history of real world items, with everything logged and authenticated. Marketers will be able to leverage its end-to-end verification capabilities to document the story of their product, turn claims into proof, build trust with consumers and promote corporate social responsibility initiatives like sustainability. The coffee you market as being grown organically by a women's co-op on a farm in South America? Your customers will be able to see that bean's journey along the entire value chain, from crop to cup.

As the new kid on the block evolves, the question will no longer be 'What's Blockchain?', but 'What's your Blockchain strategy?'.

10.

ON THE BRAND-WAGON? CAUSE MARKETING GOES POLITICAL



Brands will increasingly link themselves to social issues as cause-related marketing goes political. Mixing brand power with politics is tricky, but shirking is not an option: Consumers expect brands to be open about what they stand for.

As they lose trust in Government, people are increasingly standing with brands that stand for something – and the rise of the political brand means more companies will feel confident speaking out on our behalf.

Brands that previously avoided making political statements on contentious issues in the past will pick a side – even if it alienates some of their own customers – because it creates solidarity with everyone else.

Brand value isn't just about how you do business, but why. Consumers want brands to stand for something. Two in three people expect brands to give back to society. But it has to be authentic.

People will smell a fake a mile away. Consumers will turn against a company if they suspect a token gesture to win customers or kudos.

The cause must be aligned to brand purpose and placed at the heart of business strategy. There has to be a natural fit between the brand and the issue. It has to go back to your vision and what your stand for and be embedded in your DNA. You need natural alignment and proof points – or it will backfire spectacularly.

UNBLINKERED THINKING UNEXPECTED IDEAS

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