

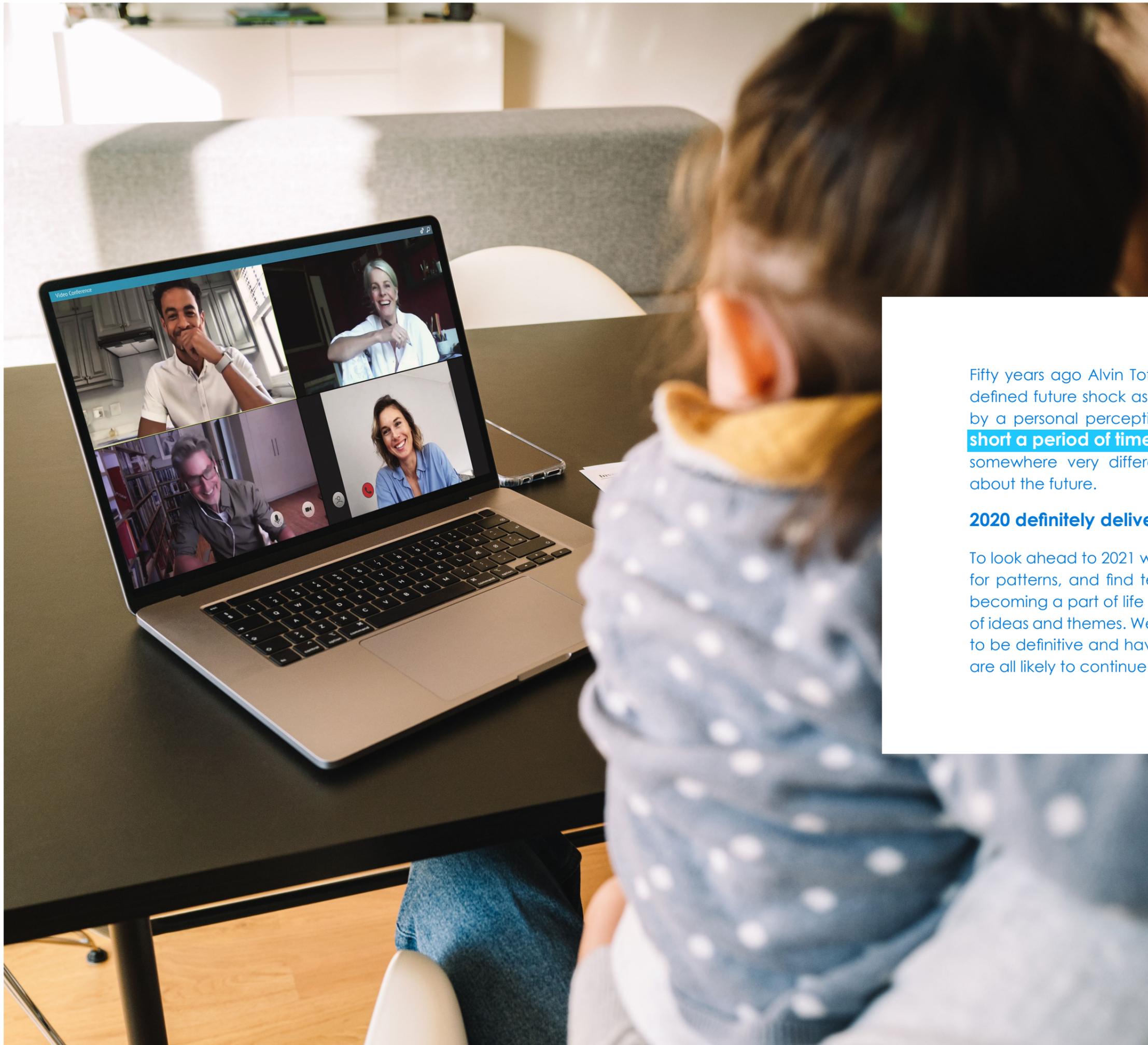
CARAT

Designing for People

Carat Australia Trends 2021

a **dentsu** company



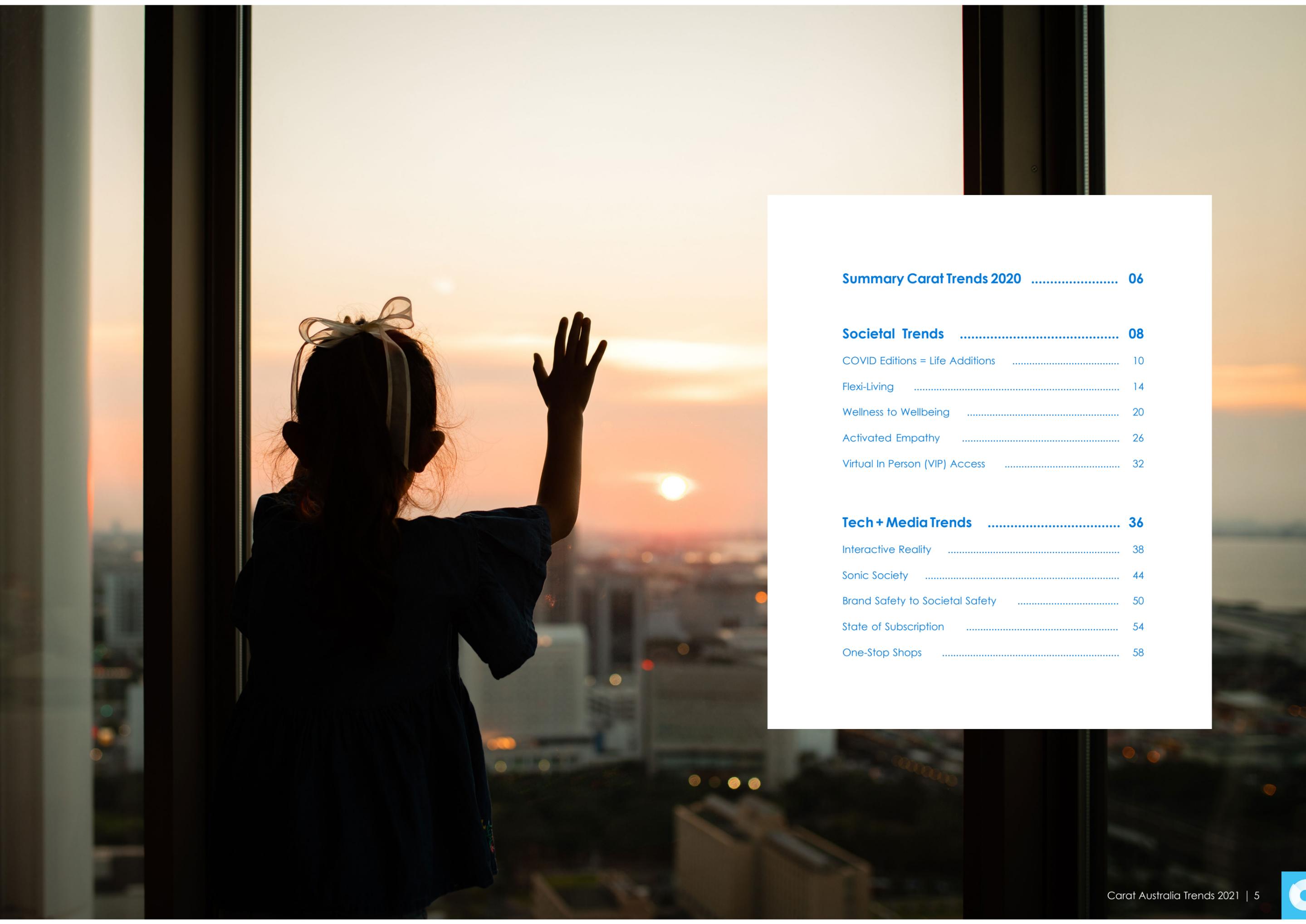


Fifty years ago Alvin Toffler wrote the book Future Shock. He defined future shock as a psychological state brought about by a personal perception of **“too much change in too short a period of time”**. It's like the 'culture shock' of visiting somewhere very different, but describing a bewilderment about the future.

2020 definitely delivered that!

To look ahead to 2021 we need to take stock of this year, look for patterns, and find technologies and behaviours that are becoming a part of life for more people. This is a presentation of ideas and themes. We are not making a claim for the trends to be definitive and having an impact on everyone, but they are all likely to continue to grow into the future.





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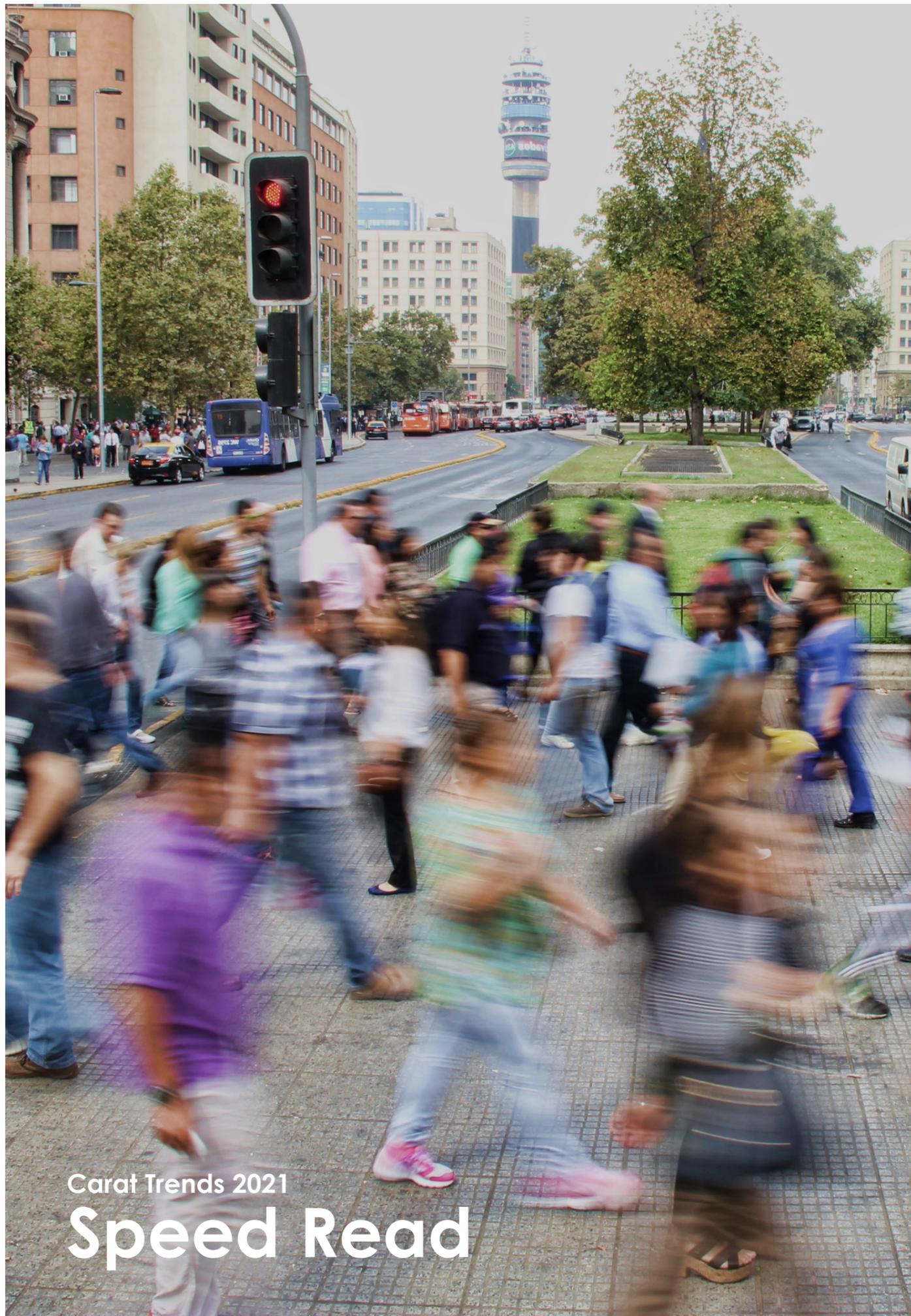
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Carat Trends 2021

Speed Read

Societal Trends

COVID Editions = Life Additions.

Capitalising on a COVID-altered and accelerated world or as many call it – ‘the new normal’ – through adapting and diversifying ways for consumers to experience & engage with your brand. Have both robust virtual and physical offerings with a focus on delivering flexibility, connectivity and convenience.

Flexi-Living

COVID is the now the proven case study for flexible working, disrupting the traditional ‘metro-based 9-5’ standard – opening up new opportunities for consumers & brands alike. With the prevailing of work from home, means work from anywhere, expect to see regional hubs boom, the changing face of the commute, and the heightened importance of local communities.

Wellness to Wellbeing

With the world experiencing a heightened sense of anxiety from bushfires, global pandemics and social justice movements, we saw an accelerated focus on wellbeing, which manifested in myriad ways – mindfulness became mainstream, we gave ourselves permission to treat ourselves without the feeling of guilt, and wellbeing at work became a must-have as opposed to a nice-to-have.

Activated Empathy

Where overseas activism has split along partisan lines, younger generations in Australia are uniting in collective allyship, to drive social, governmental and business change on the issues most urgent to their generation – such as climate change & racial injustices. Brands are expected to be part of the change and the conversation, and are not immune to criticism, and therefore the emotional intelligence, transparency & societal actions of a brand has never been more pertinent.

Virtual In Person (VIP) Access

As COVID put an abrupt end to in-person events and live entertainment, new spaces and venues were created through virtual experiences. We became privy to artists live-streaming intimate acoustic sets, we were welcomed into chefs’ home kitchens, and elite fitness trainers’ backyards. What were once considered VIP exclusives, suddenly became globally inclusive – through the emergence of ticketed virtual concerts & watch parties. Now the golden rope has been opened to let us in, we may never look back.

Tech + Media Trends

Interactive Reality

Once a dormant fad, the time is right for augmented reality and QR codes. These functional technologies helped us to live more remotely in the COVID era, and with usage behaviours now ingrained in our everyday, we expect AR and QR are here to stay - moving beyond novelty. With the rapid growth in e-commerce, brands have been experimenting with ways of bringing in-store experiences into the virtual world. In the local market we’re beginning to see brands move beyond novelty when using AR/QR and starting to use it as a value add.

Sonic Society

Exciting things are happening with audio. Brands are finding their voice (literally), smart speakers are reaching saturation point, music-first companies are pivoting to audio-first and voice-led utility is becoming more ingrained in our everyday, shaping our cars, homes and how we engage with ads & brands. The benefits for consumers is convenience – speaking is faster than typing & listening is easier than reading – and integration with more devices as our lives become increasingly connected.

Brand Safety to Societal Safety

There is a greater emphasis on brand safety in all its forms. Where previously brands were concerned primarily about ‘sex and violence’, now more prominent is politics and hate speech. Advertisers & agencies are moving from brand safety to societal safety, looking to not only ensure their advertising does not appear in inappropriate content, but to ensure that it does not fund inappropriate content or creators.

State of Subscription

We have seen the explosion and diversification of new paid content services launching in Australia, with entertainment and media have become more virtual, streamed, personal and - at least for the time being - more centred on the home than anyone could have anticipated. With the influx, it is raising many questions around existing ad-funded models, with consumer revenue now overtaking advertising revenue, and the sustainability of these subscriptions, as financial strain & fatigue kicks in.

One stop shops

As the big technology companies consolidate their power, they are building synergies between their different services, making life easier, quicker and more seamless for consumers - in turn shortening the traditional consumer purchase funnel. Integrating their services means that these companies are becoming ‘one stop shops’ for all of your needs, rather than a disparate group of apps and sites – which will continue to impact the smaller players with more specific specialities.





Societal Trends

1. COVID Editions = Life Additions.
2. Flexi-Living
3. Wellness to Wellbeing
4. Activated Empathy
5. Virtual In Person (VIP) Access



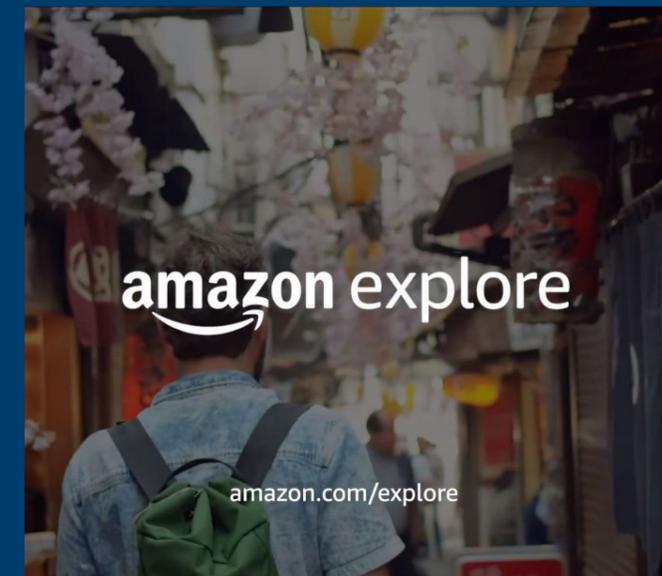
01. COVID Editions = Life Additions

When the outside world stopped, the virtual thrived

- COVID-19 has disrupted our lives in drastic ways, with the impact and nature of the virus stripping away our day-to-day sense of normalcy.
- The subsequent Government enforcements, created to protect our society, also meant sacrificing our individual freedoms.
- With restrictions limiting our physical abilities to venture outside, socialise, travel, and attend cultural and sporting events; we no longer had the option to experience the FOMO 'fear of missing out' or JOMO 'joy of missing out' that had characterised the previous decade. We didn't have the choice, were now simply MO - 'missing out'.
- As a result, much of last year (and this year in certain parts of the world) was about making the most out of staying in, with brands and industries, pivoting to make 'real world' experiences virtual and accessible, to eliminate the feeling of 'MO'.

Capitalising on a COVID-altered and accelerated world

- With a vaccine on the horizon but with no guarantees around global accessibility, brands should continue to offer distanced, remote and 'at home' options to engage with consumers in a new COVID-altered world.
- Amazon Explore is a good example of this. This allows users to book a virtual shopping trip on the other side of the world with a 'local guide', providing the opportunity to buy some of the products they see.
- We expect to see examples of products launched in the COVID-19 era that endure, due to changed consumer behaviour and expectations, opening up new revenue streams for businesses.
- Providoor, the 'chef prepared, finished by you at home' delivery offering has filled a gap in market, capitalising on cocoon culture, and the premiumisation of home experiences which accelerated in lockdown.



Our 'new normal' is here to stay

We also saw many virtual experiences emerge:

- Gyms such as Goodlife offering live stream workouts for audiences to follow along in their homes.
- Cultural institutions, such as the NGV, pivoting to virtual gallery tours, eBooks and online programs for the public to access.
- The housing market model may have permanently changed as buyers continue to embrace the convenience of virtual property inspections.
- Medibank's telehealth/virtual consultations, which started to gain traction, might become a permanent feature for customers to claim on their extras.
- These virtual editions, although COVID-centric, will continue to play a role in our 'new normal', allowing flexibility and convenience, through robust virtual and physical offerings.

Implications

COVID editions = life additions

Take an 'and' not 'or' approach:

Think about what more you could be adding to your brand to give consumers more options and greater choice in how they can experience and engage with you. For example, the contactless path to purchase; make it just as easy to buy or experience the brand from home or away from stores. This could also open up further revenue streams.

Virtuoso in Virtual:

Continue to invest in virtual and remote experiences to develop new products and services, and maybe even new direct-to-consumer brands.

Identify the Gaps:

Step back and look at the changes and societal shifts that have happened, and identify how you can fill any consumer needs and wants.





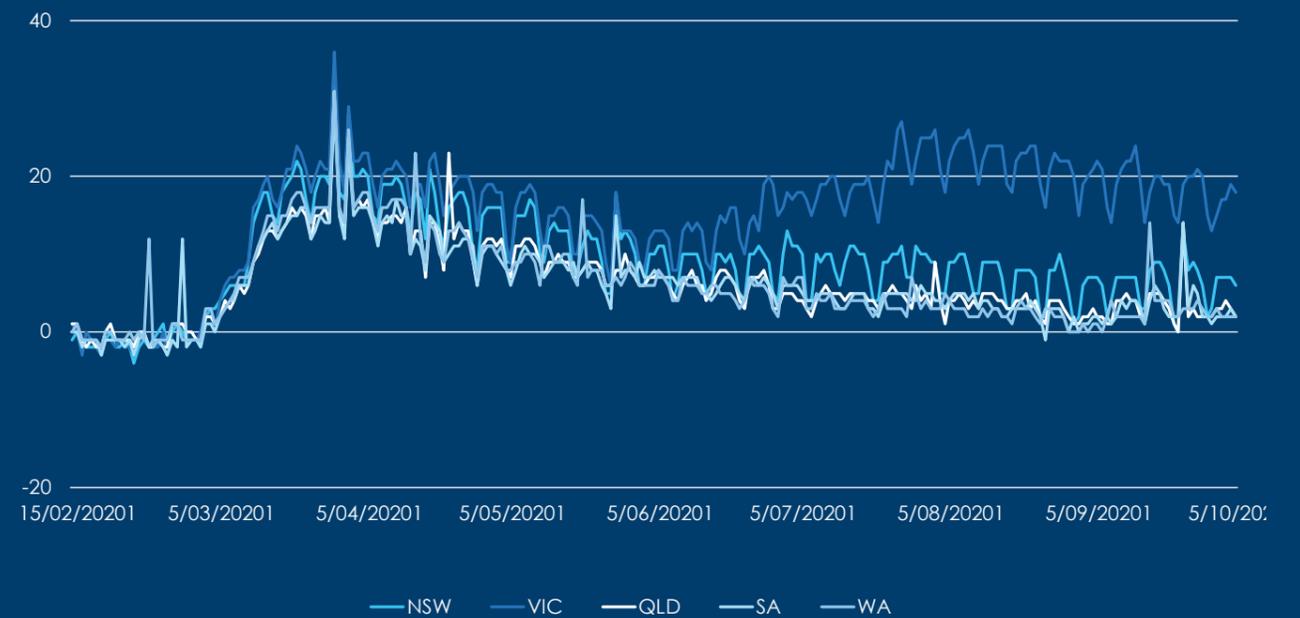
02. Flexi-living

Being vocal about supporting local

- People are both living more locally, and shopping more locally as a result of the pandemic.
- We can see that mobility trends in residential areas have increased drastically, and have continued at that level since easing of national restrictions.
- Google reports that global searches for phrases like 'available near me' have doubled.
- For several years, there have been movements to get people to use local retailers and service providers, but now after the devastating bushfires, and the pandemic impacting local business like never before, the onus and impetus to support local has never been greater.

Mobility Trends for Residential Places

Percent Change From Baseline*



Work from home = work from anywhere

- With over 46% of the Australian workforce having to work from home, it has meant much less movement around the city and the country.
- There is also evidence suggesting that 1 in 5 white-collar professionals currently living in Metro Australia are considering a relocation to Regional Australia in the future, due to greater work flexibility arrangements created during COVID.

They better be quick with regional prices skyrocketing.

Quarterly change in dwelling values



Source: Core Logic

“Some workers with long, expensive commutes are reconsidering work in the office. They are the ones leading the revolt in terms of not wanting to return to the workplace because they've got one or two hours back in their lives each day. There's a strong spatial aspect to this”

Independent economist Terry Rawnsley



City foot-traffic has become web-traffic

- We are going to see 'The Donut Problem' – activity in the outskirts, but nothing in the middle, exacerbated as a result of COVID-19 – now on weekdays, as well as weekends.
- As Australians take a much more flexible approach to office arrangements – with three in five Australians (61%) looking for a degree of flexibility in their working arrangements; a mix of working from home and in the office or workplace – it will have a greater impact on the CBD's business and institutions.
- This is already having an impact on hospitality businesses, where city centre bars and restaurants have been much harder hit than those in the residential areas and have had to pivot their business models as a result.

Changing face of the commute

- With people continuing to live and work remotely and commuting less often to the CBD, we will begin to see shifts in our transport trends and commuting media habits.
- An August 2020 Transurban report found 84% of daily train users (77% of bus users) in Melbourne said they had reduced their use. Many said they did not expect to return to daily use after the pandemic
- Media channels partly based on commuting – mobile news and social on public transport, and 'drive time' radio for cars – will be impacted and become more fragmented as the regularity of the daily commute changes.



Implications

Flexi-Living

Distinct districts

There is now a greater role for location-based marketing. With more data capture and segmentation available, we have more opportunity to understand consumers and their motivations.

It's not enough to customise, you need to localise:

Develop a localised strategy, play an active role in community based initiatives, connect and engage with locals, and promote authentic connections to places.

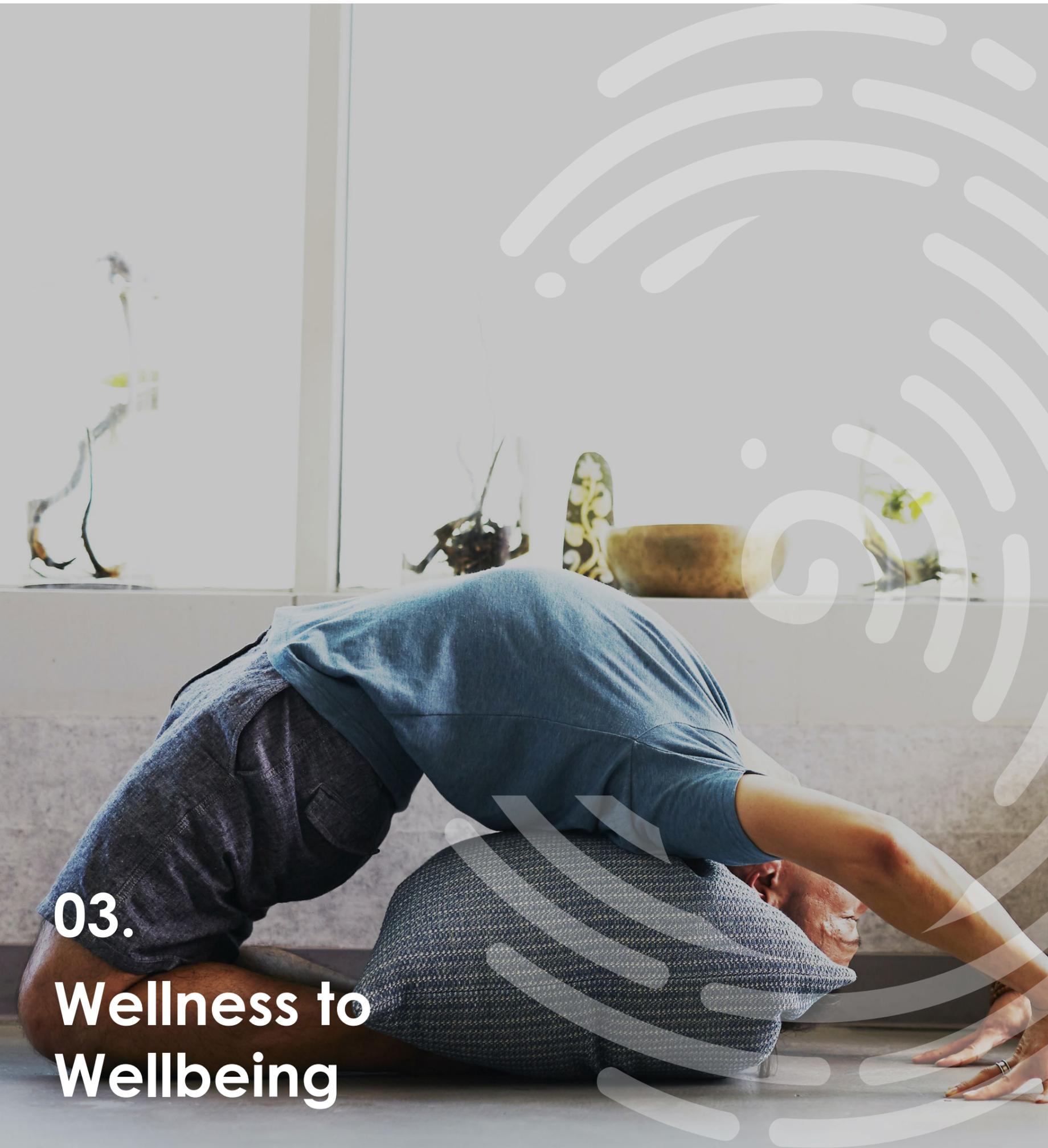
Re-think the traditional media-mix:

From metro to regional (boomtown), from CBD to local and from the traditional day-part, as people begin to shift the workplace and 9-5 agenda.

Become a Destination:

Think about how you can elevate the need to visit flag-ship brick and mortar stores through purpose and experience, rather than purely relying on the transactional.





03. Wellness to Wellbeing

The shift from Wellness to Wellbeing

- We are in the midst of a cultural shift away from 'wellness' and into wellbeing.
- Wellbeing extends to include not only physical health but also the mental, emotional, and spiritual components which constitute the entire human experience.
- With the world experiencing a heightened sense of anxiety from bushfires, global pandemics and social justice movements, our wellbeing as individuals, but also collectively (whether as a nation, state or community) has never felt more pertinent.
- As a result, we saw an accelerated focus on wellbeing which manifested in myriad ways across both our home, social and work lives.



Mental wellbeing became mainstream

- Although mental health has been a growing trend over the last few years, we looked to mindfulness and meditation apps more than ever this year in a bid to help us navigate the uncertainty.
- Wellbeing apps dominated the global app download rankings in April, at the height of the pandemic.
- The Calm app maintained momentum throughout the year through unexpected cultural alignments.
- The app famously capitalised on the societal stress during the counting of the US presidential election, contextually aligning through sponsorship of the CNN live updates.
- Electronic producer, Diplo even leveraged the app to exclusively preview his new album.

Permission to treat ourselves without the guilt

- Fueled by a universal understanding that incessant focus on productivity and optimisation was not only unrealistic but was also contributing to burnout, we saw a heightened focus on being kinder to ourselves.
- With COVID limiting our options to indulge, many turned to food to do so, with sales of comfort or nostalgic food increasing exponentially.
- Experts are hoping this creates a new normal in our relationship with food, with eating plans that include self compassion as a daily practice.
- We also saw peak self-care routine take off with 'face masks' becoming an ultimate at-home indulgence. In fact, Adore Beauty saw a 61% sales increase of face masks.
- COVID solidified the notion that purchase of beauty products go well beyond just concerns about physical appearance, and play a more extensive role in comfort, self-care, and ultimately, well-being.

Top English-Language Mental Wellness Apps for April 2020 by downloads



Global Downloads

1. Calm
2. Headspace
3. Meditopia
4. Fabulous
5. Reflectly
6. Daylio
7. Insight Timer
8. Petit BamBou
9. Synctution Meditation
10. Relax

US Downloads

1. Calm
2. Headspace
3. Reflectly
4. Fabulous
5. Replika
6. Relax
7. Breethe
8. Relax Melodies
9. Meditopia

Great Britain Downloads

1. Calm
2. Headspace
3. Fabulous
4. Reflectly
5. Breethe
6. Meditation App
7. Moshi
8. Synctution Meditation
9. Daylio
10. Insight Timer

Does not include downloads from third-party Android stores in China or other regions

Wellbeing at work changed from 'nice to have' to a 'must have'

- We saw businesses moving from standard wellness programs to adopt more holistic approaches to wellbeing for their employees.
- Arianna Huffington, founder of Thrive Global and Huffington Post, stated "It accelerated trends that were already breaking down the old model of working, and it made the importance of mental health and wellbeing in the work place impossible to ignore. Both companies and employees now realise wellbeing isn't a 'nice-to-have', it's a 'must have'."
- We are seeing an immediate shift; seven in ten employed Australians agree leadership now places a greater priority on employee wellbeing (70%) and mental health (69%).
- Beyond this, we also expect to see companies moving away from 'wellbeing programs' to the reinvention of everyday work practices geared around employee wellbeing.



Implications

Wellness to Wellbeing

Mindful Media:

Explore meditation and mindfulness apps as a new avenue to reach and engage people in a highly attentive environment.

Guilt-free Pleasures:

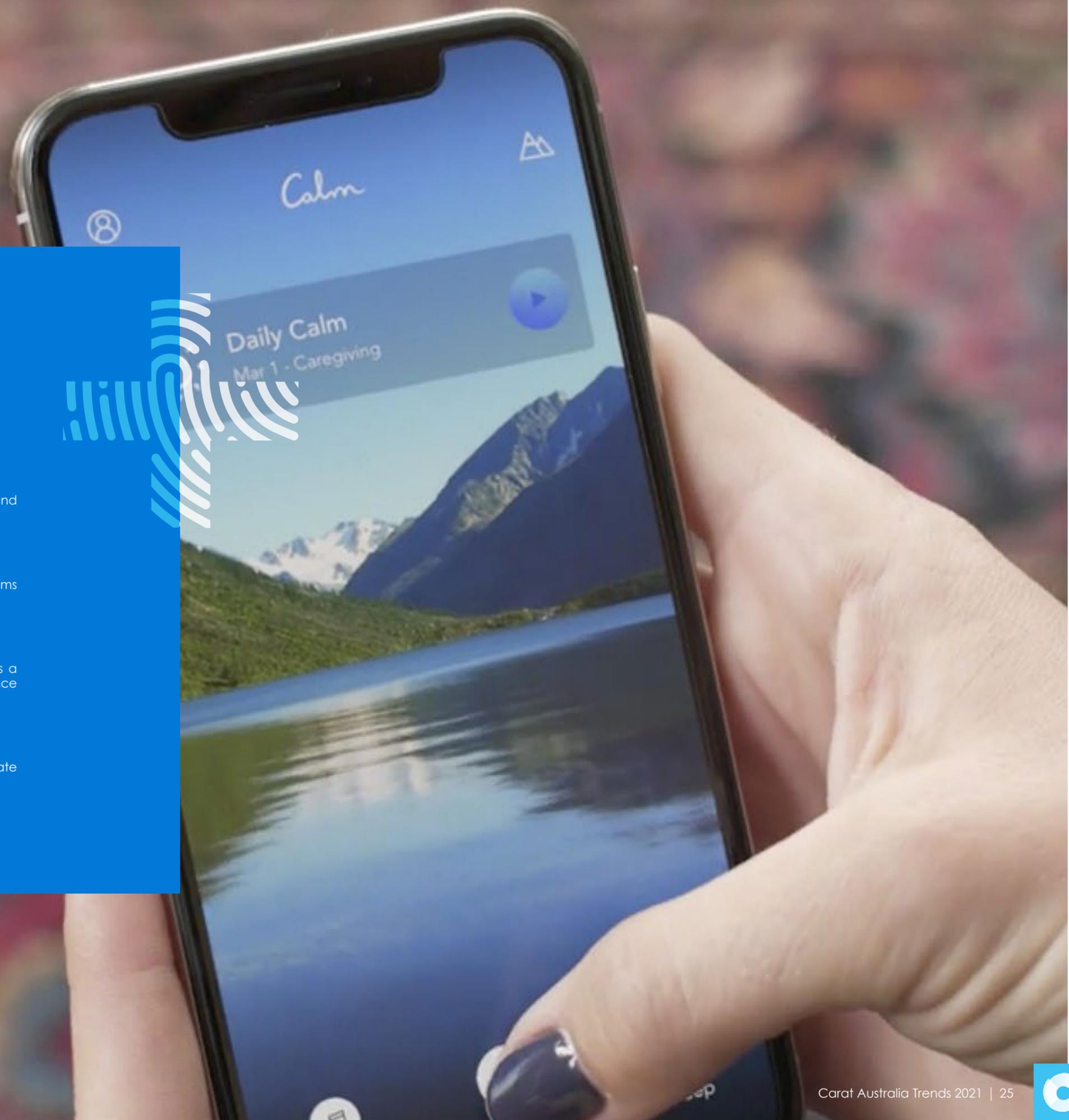
Tap into the collective movement around guilt-free pleasures in comms and consumer tactics.

A Familiar Future:

We learnt that we look to trusted brands, nostalgia, and comfort as a buffer to existential threats. Think about ways can you build reassurance and comfort for consumers to future proof your brand.

Expand your USP:

Speak to the broader consumer benefits of your product that encapsulate all components of wellbeing.





04. Activated Empathy

People took the streets and the feeds to drive change

Society has never felt more tense, polarised and divided, but also more action-led, both on the socials and on the ground.

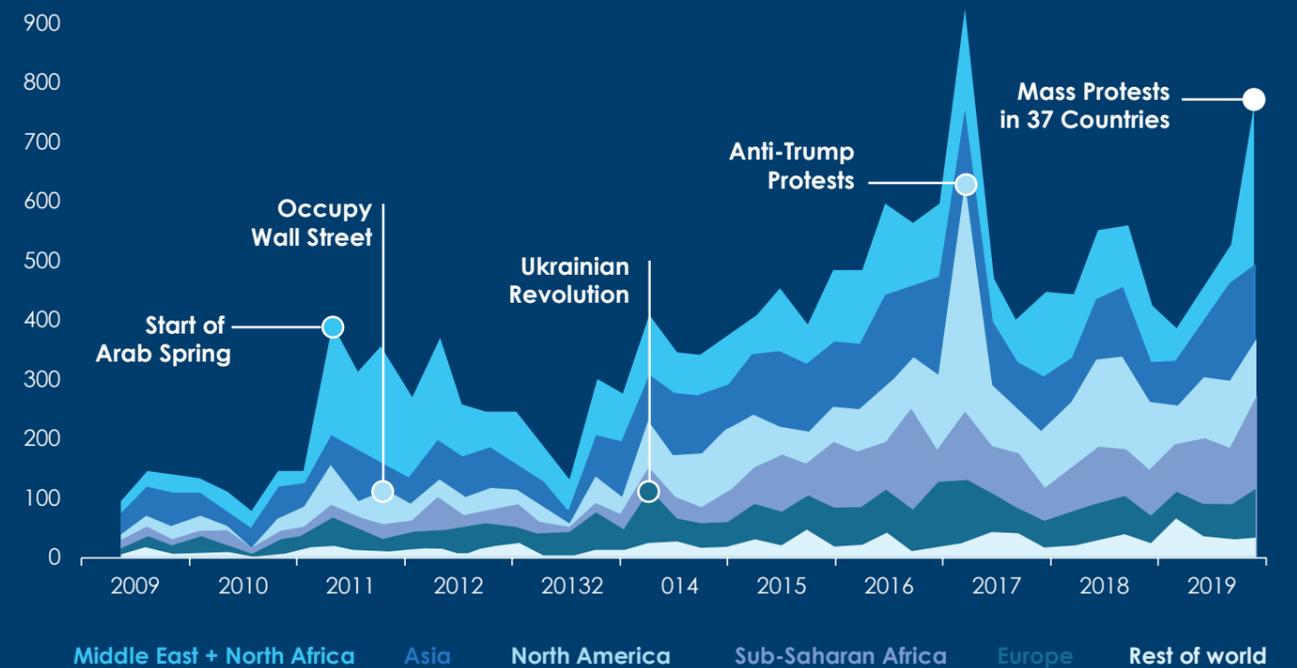
Data cited by The Economist claims that the number of public protests around the world has risen by over 10% each year since 2009. This has come to a head in 2020 with big movements around issues like Black Lives Matter, Climate Change and Transgender Rights.

Where overseas activism has split along partisan lines, younger generations in Australia are uniting in collective allyship, putting their broader differences aside to drive social, governmental and business change on the issues most urgent to their generation, such as climate change.

Brands are also facing pressure to become involved, with 72% of consumers believing that brands should actively benefit society through their actions.

Street Politics

Civilian anti-government protests, by region



* Q4 Estimate

Source: "The Age of Mass Protests: Understanding an Escalating Global Trend", by S.J. Brannen, C.S Haig and K. Schmidt, 2020





The BLM movement demanded diversity

- The Black Lives Matter movement became the wakeup call for many across the world. It brought issues of race, police brutality, and systemic disadvantage to the forefront through mass demonstration and mass media coverage.
- The journey from acknowledgment, to acceptance, and reconciliation has been painful, and public for many brands. Yet this is what consumers want.
- Nike, known for their public (and in some vocal quarters divisive) support for Colin Kaepernick demonstrates how taking action for a community isn't just the right thing to do, but that it also creates long term brand value. Nike's stock initially fell, before it rebounded and grew, adding \$6bn in value for the brand.
- Yet performativity is no longer enough, and brands need to take meaningful action. First by looking internally, and then at how they can help more broadly.

Looking inward to move forward

- In Australia, local Black Lives Matter protests highlighted Aboriginal and Torres Strait Islander voices, examining our own troubled history and focusing on recognition and rights.
- Driven by global pressure, brands and companies are increasingly seeking to learn more about how their organisations can support and recognise our important Indigenous culture & people.
- During NAIDOC Week 2020, a number of well known Australian companies launched RAPs (Reconciliation Action Plans), including ViacomCBS Australia, Airbus Australia, and the NBL.
- This signifies a shift by corporate Australia towards embedding understanding of cultural diversity and driving positive cultural change.

Sole performative activism is up

- Brands are increasingly expected to play an active role in social causes. But in doing so they are not immune to criticism.
- Brands are now glass houses. It is more important than ever that you ensure everything you do aligns with what you say publicly, because if it doesn't consumers will find out, and call you out.
- Locally, there is ongoing debate around 'pink-washing' at Mardi Gras where corporate interests and sponsors have come to dominate the parade – an event which has its origins in protest.
- McDonald's in Brazil were called out for separating their Golden Arches to promote social distancing, during the pandemic. This was met with backlash from audiences as an insensitive move that focused on branding, rather than actually taking action to support staff & customers.
- The rise of activist organisation Sleeping Giants has brought public scrutiny to brand behaviour and partnerships.

Playing the long game with Gen Z

- These shifts are being driven in large part by Gen Z, who currently make up 24% of the global population, with indirect spending power of \$600 billion.
- Defined as the most ethnically diverse, socially and environmentally aware generation yet, they are leading the charge on social justice issues, and are expecting brands to get on board.
- With their spending power only set to increase in the coming years, brands need to adapt to this new generation by showing authenticity from the inside out.

"They're looking beyond tangible products and actually trying to understand what it is that makes the company tick. What's its mission? What's its purpose? And what is it actually trying to build for us as a society?"

McKinsey on Consume and Retail



Implications

Activated Empathy

Practice what you preach:

Performative activism is risky business and will cost you. Emotional intelligence and empathy as a brand has never been so vital.

Check yourself, before you wreck yourself:

Look at your internal practices and do the work there, before you include big statements about social justice causes in your marketing.

Silence is being called out:

Beyond your advertising, at a corporate level saying nothing is seen as a statement too. Be clear on what you stand for.

Lead Gen (Z):

Focus on Gen Z and winning them over through your authenticity and actions, to future proof your brand.



05.

The new VIP 'Virtual In Person' access.

Democratisation of access

- As COVID put an abrupt end to in-person events and live entertainment, new spaces and venues were created through virtual experiences.
- We became privy to artists live-streaming intimate acoustic sets, we were welcomed into chefs' home kitchens, and elite fitness trainers' backyards.
- International events such as the New Yorker Festival could be experienced by Australians at home for the first time as the festival went entirely virtual in 2020.
- What were once considered VIP exclusives, suddenly became globally inclusive. Now the golden rope has been opened to let us in, we may never look back.

Watch Parties took centre stage

- Virtual watch parties are events where people watch content together in different locations. As though they are all in the same cinema or front room, but in reality watching on their own screens, with built in channels of communication like voice or text.
- Integrated video watch parties were first introduced by Facebook in 2018. Recently the feature has been added to the video offerings of major players, with Hulu, Amazon, Twitch, Disney + and Sceners' HBO each adopting similar watch-party features.
- One example from 2020 is Verizon Media's Yahoo Sports who debuted a watch-party feature in its mobile app, timed for the kickoff of the NFL's 2020 season. The feature let up to four people live stream pro football for free alongside a Zoom-like video chat.

Front row seats, always

- In lieu of live concerts, we saw the emergence of high production, ticketed live-stream events.
- Dua Lipa led the charge in a lavish concert with over 1.5 million in production, drawing over 5 million viewers across the globe.
- It follows the growing trend in the virtual gaming world, where co-viewing experiences have become commonplace, e.g., e-sports and Twitch.
- Although the viewing experience might not be the same as a live event, there are benefits for both talent and fans. It is easier for an artist to perform once to many, as opposed to grueling gig schedules. And it's pretty great to have a good view, from wherever you are.



Implications

The new VIP access

From exclusive to inclusive:

Rather than focusing on exclusive events to drive hype, open it up and reach new audiences far and wide.

Virtual Event Sponsor:

Think about how you can align with these virtual live streams and find new ways to connect with audiences through talent.

Converse with Content Communities:

SVOD services have always been out of bounds for advertisers, watch parties provide opportunities to engage with content communities like never before.

Reduction in production:

Physical activations and events come with a heavy price tag. Think about how you can offset production costs through virtual events.

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Tech + Media Trends

6. Interactive Reality
7. Sonic Society
8. Brand Safety to Societal Safety
9. State of Subscription
10. One stop shops



06. Interactive Reality

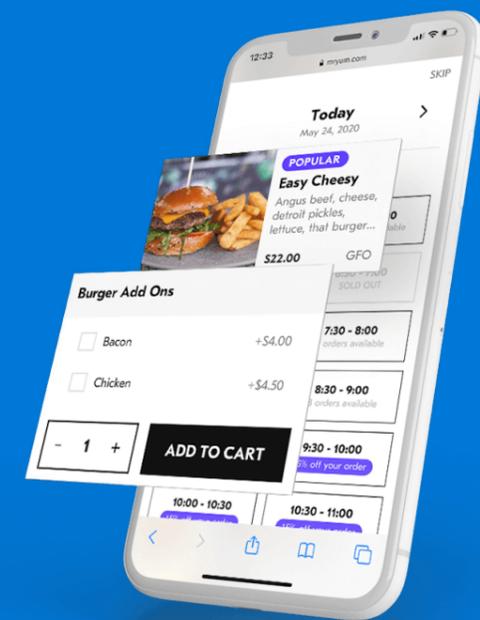


The technologies aren't new, but their time is now

- Once a dormant fad, the time is right for augmented reality and QR codes. These functional technologies helped us to live more remotely in the COVID era, and with usage behaviours now ingrained in our everyday, we expect AR and QR are here to stay.
- Just as many of us rarely used the cameras on our laptops until recently, the power of AR and QR has lived largely untapped in our phones for years, and we are only now discovering the benefits.

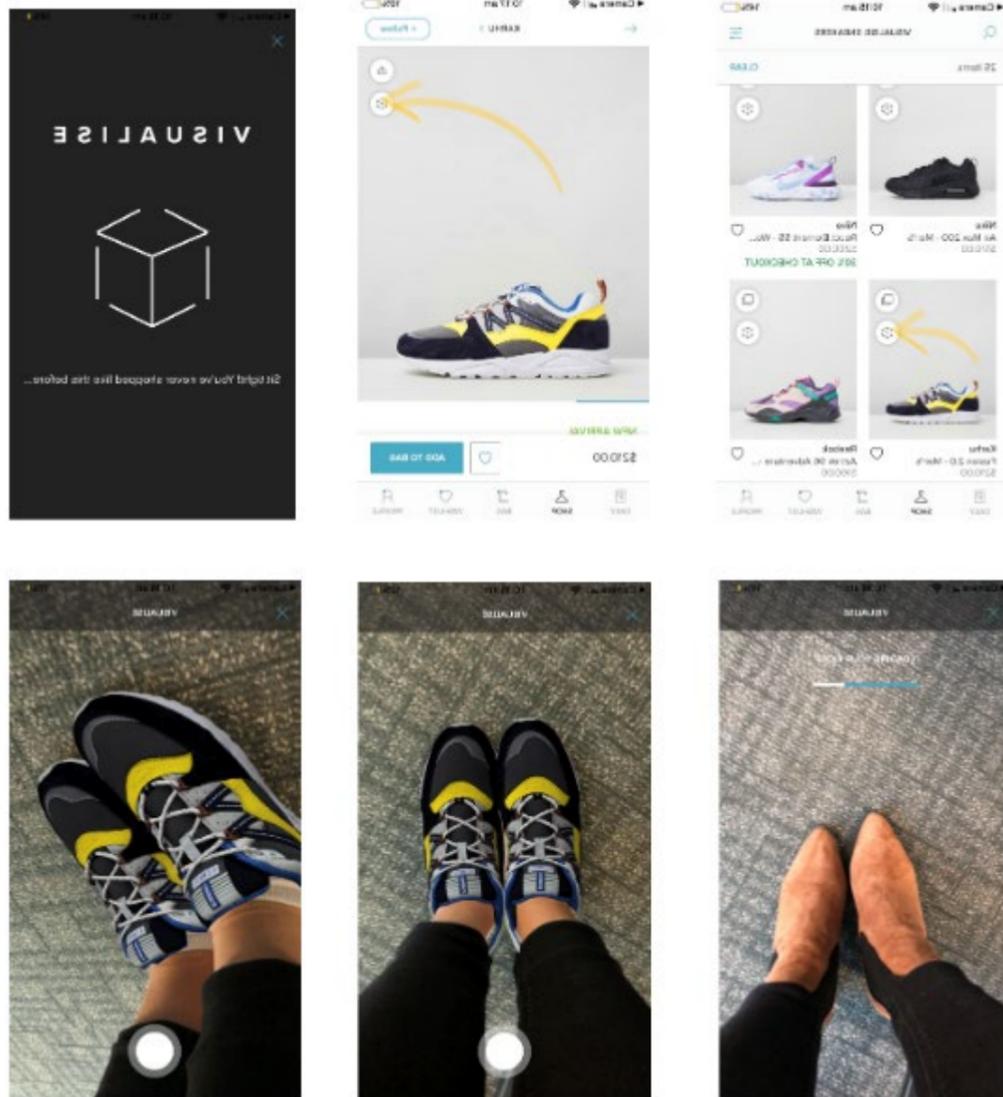
QR codes find new life, and utility during COVID

- COVID has supercharged the use and adoption of QR codes due to government mandates. They are ubiquitous in hospitality venues for track and trace programmes, but positive innovations have arisen that allow customers to browse menus and even order and pay directly from their table.
- Mr Yum, an Australian tech start-up servicing the hospitality sector quickly pivoted their QR menu platform to takeaway and delivery integration during the height of lock-down. Their platform integrates CRM capability which helps small businesses get a better understanding of their customer and deliver 1-1 marketing.
- We are also seeing brands using QR codes across other media channels – such as TV and OOH – to bring additional campaign elements to life.



From campaign gimmick to business utility

- With the rapid growth in e-commerce, brands have been experimenting with ways of bringing in-store experiences into the virtual world.
- Well-known online Australian clothing retailer The Iconic launched a virtual try on feature earlier this year. The feature, called Visualise, allows customer to try on products like shoes from the comfort of their own home. The brand says an added benefit of the feature is the reduction in returns – typically a major drag on e-commerce companies' profitability and sustainability goals.
- Also leveraging AR is Electronics and whitegoods company Hisense. They use the tech in their Hisense Home app, allowing customers to virtually test out how products will look and fit in the home. This removes the customer pain point of manually measuring and guessing whether something will fit.
- The benefits of AR extend beyond classic retail. Since launching their e-commerce and AR offering, Volkswagen Australia's virtual showroom has contributed to \$36m in sales.



Augmented reality now powering blended commerce experience

- In the local market we're beginning to see brands move beyond novelty when using AR and starting to use it as a value add. These represent a further blurring of the divide between online and offline media, and their interaction with commerce. Making it easier for brands and consumers to traverse from one to the other.
- Nike Australia used Snapchat's snap code feature to launch an AR experience around the new Nike Joyride show. The code was part of a painted mural billboard and allowed customers to see the different benefits of the shoe.
- This was also brought through to a store level with sales staff using the feature to demonstrate the benefits. Showcasing how AR can be used at a media campaign level as a value add, as well as enhancing the in-store experience.



Implications

Interactive Reality

Blended buying:

As people become more confident with the technology, look to AR to enhance both the online and IRL shopping experience and create a more seamless and future proof commerce model.

Plan for the Scan:

Leverage QR/scan codes to enhance tangible product (packaging), owned assets or paid advertising, triggering value add experiences or utilities.

Fix the friction:

With greater adoption, think about how AR can solve consumer needs or reduce pain-points in the consumer journey, whether educational or functional.





07.

Sonic Society

Voice and audio are finally being heard by marketers

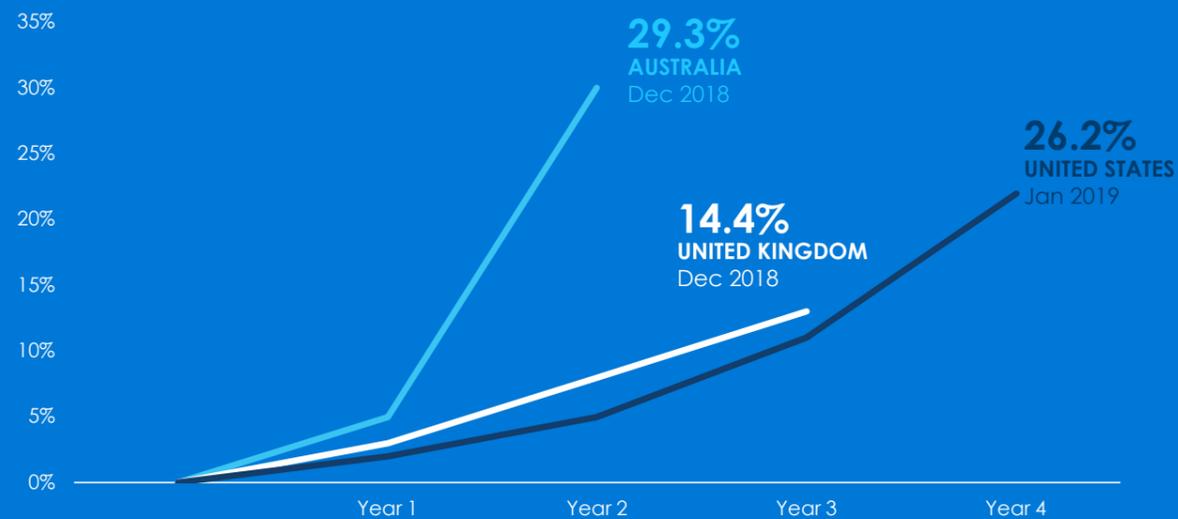
- Exciting things are happening with audio. Companies like Spotify are experimenting with voice response to audio ads, using voice to make payments.
- Brands like Mastercard and Netflix are also creating sonic branding, which are short, ownable arrangements of notes that they can use in advertising and in product features as a distinctive asset as recognisable as their logo.
- The benefits for consumers is convenience – speaking is faster than typing – and integration with more devices as our lives become increasingly connected.
- As the technology gets smarter and more user friendly, and the range of possible actions expands beyond simply 'what is the weather today?', we expect voice assistants to facilitate more low and mid value purchases, as well as simple tasks like making reservations.
- As always, with new formats and category entry points, it's important to think about how to be front of mind and well branded. We will likely see brands double down on their sonic identities as voice and audio continue to gain traction.



The new house-mate

- Australia is among the world's fastest growing smart speaker markets. By 2022, it's expected that 6 million Australians will be using a smart speaker for online shopping, and that by 2030 smart speakers will have 90% household penetration.
- Australian bank NAB recently worked with Amazon to create an AI powered voice assistant. NAB is one of the first companies globally to work with the new technology. The feature, called Amazon Polly, is housed within AWS (Amazon's cloud based platform) and aims to give brands greater control over their voice and persona.
- Consumers have long experienced frustration as parts of customer support have become more automated. However, advances in technology look to make this process more seamless, timely and ultimately more helpful than a typical call centre.

Comparative rate of adopting smart speakers



Source: Versa; Voicebot; Telsyte; Commscore, eMarketer; Forrester

Steering towards an assisted future

- Analysts predict that the importance of digital voice assistants in automotive branding will continue to grow.
- BMW, Mercedes-Benz, Hyundai and Chevrolet have all built voice assistants into their vehicles in recent years, either by developing in-house systems like the Mercedes-Benz MBUX, or through partnerships with Apple, Google, Microsoft and Amazon.
- The future of voice inside cars will see capability expand from cabin functionality, and into entertainment.
- The ability to access services on the go, coupled with real time location information, opens up new opportunities for use cases. As the tech gets smarter these interactions will become ever more personalised to the driver.

Podcasts continue to rise in popularity

- In 2019, we saw Spotify make a bold push into the world of podcasting, claiming to become the 'Google for audio'. Signaling a shift from music first, to audio first, the company expects that soon 20% of all Spotify listening will be non-music content.
- One-quarter of Australians have listened to a podcast in the last month, and this figure is expected to grow.
- This year we've seen Spotify continue to build their podcast empire, investing heavily in acquisition and the production of original programming.
- Amazon is also looking at expanding into audio, with reports that the company is in talks to buy podcast maker Wondery for \$300m; a sign of an intention to expand their prime offering beyond video and music.
- Podcasts represent deeper user-engagement, help reduce churn and provide extended advertising opportunities.



Implications

Sonic Society

Awareness through audio:

Audio will continue to grow as a digital advertising medium with the potential to offer the same level of targeting as other online formats, but considerably cheaper.

Have a brand voice, literally:

Embody your brand through sound by developing an audio strategy to cover voice, music, radio, and identity.

Scale for voice:

Experience with voice-controlled ads will become more common, and more creative.

Distinctive audio:

Start investing in sonic branding now through your audio campaigns. See what works and resonates, and then scale for future.

Sonic Seasoning:

Think about ways in which audio can enhance the experience of your product as sound is often the forgotten sense in a visual driven marketing landscape.



08.

Brand safety to societal safety



Rise of the responsible media

- There is a greater emphasis on brand safety in all its forms. Where previously brands were concerned primarily about 'sex and violence', now more prominent is politics and hate speech.
- Advertisers are moving from brand safety to societal safety, looking to not only ensure their advertising does not appear in inappropriate content, but to ensure that it does not fund inappropriate content or creators.
- This is being driven by media savvy audiences who are holding brands, their media partnerships and ethical direction of ad dollars to account.

Responsibility is a collective effort

- Media buying, which was once focused on efficiency first, now more than ever before is evaluating the (perceived) moral values behind the platforms brands buy into and the societal impact their advertising spend may have.
- Global Alliance for Responsible Media (GARM) has created uncommon collaboration from all sides of the ecosystem to address consumer and brand safety issues stemming from user-generated content platforms.
- Meanwhile, agencies are also stepping up to guide brands. In one example, IPG Mediabrands has released its Media Responsibility Audit, weighing the impact of harmful content, and evaluating the policies of different platforms and their enforcement. This is part of a larger effort aimed at enhancing brand safety and media responsibility in advertising.

Controllers vs Consolidation

- The rising culture wars have led to increasingly divided communities and social media.
- This creates difficulties in trying to ensure that brands know where their ads are appearing, and what they are funding, through the platforms they buy on.
- It is likely to lead to revenues moving even further towards bigger publishers, or more trusted publishers who will take greater control over their own content.
- However, this isn't necessarily the best outcome for all, as highlighted by the recent petition calling for a Royal Commission into media ownership and the business models that encourage deliberately polarising and politically manipulated news. This petition alone gathered over 500,000 signatures in Australia.



Implications

Brand Safety to Societal Safety

Advisory Agencies:

With customer and cultural centricity a core part of media agencies' DNA, the role of understanding the comms landscape to ensure brand and social safety has never been more important.

Reporting Rigour:

Make sure that you know where your messages are appearing, and which organisations you are supporting.

Safeguards in setting up:

Adopt new technologies around hate speech and new safety controls that will become commonplace in digital media.

Contextual Content:

Understand what your brand stands for, and what content you want to support, fund and appear next to.

Influencer Intel:

Do the research on influencers and brand ambassadors before partnering to ensure they are responsible in representing your brand.

KPIs for good:

Think about new ways to measure your campaign beyond efficiencies. Consumers now expect a lot more from brands and where they spend their money.





09. State of Subscription

Contented paying for content

- We have seen the explosion and diversification of new paid content services launching in Australia. As PWC stated, 'In 2020, entertainment and media have become more virtual, streamed, personal and - at least for the time being - more centred on the home than anyone could have anticipated'.
- On the SVOD front, as Disney +, Apple + and Amazon continued their rise in Australia. New players such as Binge and Britbox have also launched, creating more competition than ever.
- In a time of 'fake news', we are seeing an increased uptake in news subscriptions, with brands like NYT switching entirely to a subscription-first business.
- Meanwhile, independent writers and artists are increasingly funding their content through platforms like Patreon and seeing success there as readers seek to support the journalists they trust.

Two pronged approach from players to capitalise on the on-demand economy

- Ad blocking, iOS 14 and other factors are hitting ad revenues hard, with smaller publishers having to charge directly for their content rather than using an advertising model.
- This is leading to a consolidation vs fragmentation approach, as brands navigate new business models to drive growth.
- We are seeing brands such as Foxtel shifting to offer an array of more niche packaging, from Kayo to Binge, in order to meet customers' expectations for accessible on-demand content.
- While other leading players such as Apple are now bundling all their services for a holistic subscription model.

Consumer revenue vs advertising revenue

- The video industry is likely to reach a tipping point in the forecast period, with subscription TV consumer revenue outstripping free-to-air TV advertising revenue. This is driven by consumers who are increasingly willing to pay for personalised content bundles and experiences.
- New subscription models in the podcast industry are allowing creators to earn revenue beyond advertising, something major podcast platforms have been trying to tackle for years.
- Meanwhile, in good news for globally publishers, news outlets are starting to earn royalties from Facebook if the social platform uses their content in the dedicated Facebook News tab. This Facebook News initiative is being rolled out globally, although Australia is currently excluded.
- Locally, the Australian Government is currently working to force digital platforms to pay news media businesses for their content with a bargaining code.
- These developments beg the question: as the market strives for equilibrium and new solutions come to market, what does a new ad-model look like?

Are you still watching/reading ?

- When will the notion of subscription fatigue reach its tipping point and burst the subscription bubble?
- A new study estimates Australians have almost 37 million subscriptions to entertainment services, including video on demand, gaming and music offerings, a figure tipped to reach 58 million by 2024.
- A survey suggests, that despite their on-demand expectations, growing ad-model consciousness is prompting 76% of consumers to report they are willing to see ads in exchange for watching free streaming videos, as long as it is relevant and contextual.
- However, with original content driving cultural conversation, and the ongoing commitment to business models based on quality original content, we will likely see people continuing to opt for subscription services, in spite of the recession.

Implications

State of Subscription

Integrate or Dissipate:

Look for sponsorships, experiences and ways to integrate messages into content as ad-blocking increases and ad-funded models decrease.

Support Small:

Find ways to support quality, independent publishers that best align with your values. This is good for your business and for preserving and promoting a diverse media landscape.

AVOD (advertising video on demand) acceleration:

With people expected to be hit by financial hardship, look for the increased adoption of AVOD players (Roku, Peacock).

New ad-funded models:

As the traditional ad-funded models shift or change, there will be a rise in content pay-off models – be open to supporting new ad-funded models to keep advertising revenue afloat.





10. One-Stop Shops

Colliding ecosystems, become streamlined

- Last year, we spoke to the diversification of players into new fields. Now, we are seeing the merging of these endeavors.
- As the big technology companies consolidate their power, they are building synergies between their services, making life easier, quicker and more seamless for consumers.
- Google is putting payment into Maps, e.g., for petrol.
- Amazon has added Twitch's live streaming to Amazon Music.
- Facebook is linking all of its services and sharing features between platforms, like Commerce and Stories. They are also more clearly branding both Instagram and WhatsApp as Facebook brands.
- And Apple is tying its different services together into holistic bundles.

Harder to leave the walled garden

- Rather than directly competing with each other, the big tech brands are now building on their advantages. Instead of simply introducing new services, like video conferencing, these companies are now linking all of their services together.
- Integrating their services means that these companies are becoming 'one stop shops' for all of your needs, rather than a disparate group of apps and sites.
- Other brands have been able to capitalise on this, with Facebook linking all its services together for David Jones to conduct a live shoppable fashion stream.
- With this continual evolution of services and offerings in one place, we will be less likely to leave these walled gardens.

Shortened and sped up consumer funnels

- Consumer funnels will continue to get shorter and faster as the big tech brands push ahead with growth.
- Expect:
 - Facebook to introduce commerce to more and more areas
 - Google to bring payment to Chrome
 - Apple to keep introducing new services for its users, e.g., fitness
 - Amazon to further leverage its Twitch technology, and make all services shoppable.
- For brands, activating across the consumer journey / funnel has never been easier and quicker, with the scale, data and payment capabilities all on hand in one fell swoop.
- With 5G supercharging these experiences, expect this one-stop-shop behaviour to boom.



Implications

One Stop Shops

David vs Goliath:

The growing synergies means greater strength for Big Tech Giants which means more peril for independent 3rd parties like Spotify who need to continue to diversify and deliver customer value.

Connect the dots:

For brands, look to integrated ad solutions allowing multiple services to seamlessly link together.

Flexible Funnels:

Think about ways in which you can leverage these partners to create greater efficiencies through immediacy – awareness to conversion – in a single click.

Hi Five G:

Although 5G is rolling out slowly in Australia, ensure you consider the possibilities that 5G capabilities can have to supercharge synergy within these platforms.



About Carat

Most recently named a leader amongst global media agencies by Forrester, Carat is consistently ranked the #1 media agency in the world with over 12,000 experts, operating across 190+ offices in 135+ countries. Carat delivers an unparalleled capability to unlock real human understanding to connect people and brands by designing powerful and engaging media experiences. Carat is a dentsu company and privileged to work with some of the most storied and innovative brands in the world.

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