Hype Cycle for Digital Advertising, 2020

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Digital advertising is at a tipping point. With changes and disruptions that will cause established practices and sectors to vanish, digital marketing leaders must understand how innovative technologies enable them to compliantly advertise with scale and efficiency.

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Analysis

What You Need to Know

Digital marketing leaders must be agile as they operate in an incredibly dynamic and volatile space. To enable them to focus on advertising-specific innovations and challenges, this is Gartner’s first Hype Cycle exclusively focused on digital advertising. Significant changes to the marketplace, such as cookie obsolescence and dominance by Facebook and Google, combined with a rising level of consumer mistrust in “big tech” have created a tipping point.

These changes in the ad tech market will cause some existing digital advertising sectors and established supply chains to wither and vanish. COVID-19 and global economic uncertainties have accelerated, but not changed, this anticipated outcome.

As organizations prioritize their digital transformation initiatives, digital marketing leaders must have mastery of digital advertising technology into 2021 and beyond. They must assess opportunities to seek actual value and longevity of emerging and scaling technologies in this sector to build an effective and scalable advertising capability for their organization.
The Hype Cycle

As digital marketing leaders review opportunities for specific innovations, they should take the following trends into account:

- **Increased regulatory scrutiny into Facebook and Google.** In Europe and North America, politicians have shown an increased appetite for the investigation of Facebook and Google. Irrespective of whether this leads to meaningful oversight, previous episodes of regulatory activity have caused technology providers to proactively roll out policy changes. Digital marketing leaders should be prepared to encounter reactive shifts from providers.

- **Continued media supply chain disruption.** In the first half of 2020, consumer media habits changed dramatically. With major sporting events like the global soccer and NBA seasons, and the Olympics being postponed and television and film production delayed, consumers changed their consumption habits to include more social media and streaming content. As detailed in this Gartner research, “Optimize the B2C Digital Marketing Mix Through Shifts in Channel Activity,” marketers need to continuously diversify their marketing mix as one of many tactics in changing times.

- **Volatile consumer spending.** According to Gartner’s 2019 CMO Spend Survey, the most important indicator used by CMOs to track the business and economic climate was consumer spending (see “CMO Spend Survey 2019-2020: CMOs Double Down on Digital Channels and Analytics, but Fail to Plan for Tough Times Ahead”). This survey was conducted in a different economic reality, but it underscores the importance of consumer wallets to global marketers. At the time of writing this research, there were divergent opinions on consumer spending trends over the next 12 months. These range from the rapid release of pent-up demand that underwrites a full recovery or only sustains a short-term bounce to declining spending triggering a long-term recession driven by uncertainty and unemployment. Whatever the outcome, digital marketing leaders should continuously track consumer spending as a volatile but critical external factor.

The technologies most tightly connected to these trends, and most likely to fluctuate in development and benefit, are advanced supply-side bidding, ad blocking, identity resolution, brand safety, and ad verification and viewability.
Operating at scale and with agility are drivers in today's advertising business. Amid great uncertainty, advertisers need an infrastructure that enables them to deliver consistent and controlled, but relevant, messages to a specific audience. This capability is paramount to a brand's success and survival.

The polarization of consumer trust in digital media has accelerated the need for advertisers to adopt mechanisms to monitor their placements. Brands must not only make sure their assets are placed in appropriate contexts but also manage and monitor the very platforms, publishers and domains they interact with. As consumers continue to determine what is appropriate to them, brands that operate outside of consumers' self-determined frameworks risk igniting the public ire of entire audience segments. To mitigate and protect against this, brand safety will become a mainstream tool in the very near future.

In parallel, the increased insights into consumer intent coupled with a fragmenting marketplace mean advertisers must draw on a larger and more dynamic library of content to deliver meaningful
and appropriate interactions. But it is almost impossible for advertisers to develop, manage and deliver content at this scale. Digital marketing leaders must investigate and determine if the opportunity for using generative AI, where new content (images, video, text, audio) is produced based on a variety of machine learning (ML) techniques, is right for them.

As generative AI offers the opportunity to solve for creative complexities at scale, so data clean rooms offer the promise of deriving analytical and algorithmic audience and media insights. Data clean rooms offer the tantalizing possibility of cross-media measurement and standardized data modeling. Although there will be uncertainties and hurdles to be overcome before data clean rooms become mainstream, any advertiser with a meaningful budget should be closely monitoring, if not proactively testing, these.

**Figure 2. Priority Matrix for Digital Advertising, 2020**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Years to Mainstream Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than Two Years</td>
</tr>
<tr>
<td>Transformational</td>
<td>Generative AI</td>
</tr>
<tr>
<td>High</td>
<td>Mobile Marketing Analytics</td>
</tr>
<tr>
<td></td>
<td>Shoppable Media</td>
</tr>
<tr>
<td>Moderate</td>
<td>Brand Safety</td>
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<tr>
<td>Low</td>
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Source: Gartner
ID: 467493

As of July 2020
On the Rise

Blockchain for Advertising

*Analysis By:* Andrew Frank

**Definition:** Blockchain for advertising covers a range of applications of blockchain technology to elements in the advertising supply chain that currently suffer from fraud, lack of transparency, privacy issues and barriers to open competition. Many are speculative, but collectively they represent a common innovation theme aimed at securing and decentralizing digital ad markets.

**Position and Adoption Speed Justification:** Opportunities for blockchain-based solutions in the digital advertising market include applications such as:

- Registration and independent verification of consumer consent for use of personal data
- Independently auditable ad impression data and related processing and analytics
- Mediation of contracts between advertisers, agencies and publishers (eliminating unnecessary intermediaries)
- New forms of currency to represent attention as a basis for media economics

Enthusiasm for advertising-related applications of blockchain has stalled, due primarily to two factors. First, a realistic appraisal of blockchain's limitations, such as processing load. Second, pandemic-induced market disruptions that divert attention away from speculative long-term innovations in favor of immediate survival. Promising work continues with the support of organizations like the World Wide Web Consortium (W3C) and IAB Tech Lab. However, even relatively successful initiatives such as Mediaocean’s pilot with IBM and Unilever, and NYIAX’s contract management solution have conspicuously downplayed use of the term “blockchain” in describing their solutions.

Still, setbacks in blockchain momentum shouldn’t be misinterpreted. Demand for transparency, privacy compliance, and market standardization remains strong, and decentralized, blockchain-style solutions remain promising. The W3C, for example, in April 2020 released a major update to its Decentralized Identifiers specification with significant implications for the core topic of identity resolution. The specification noted 40 experimental implementations underway. Pilots in other areas of advertising continue to attract some interest and participation from large advertisers and media companies, albeit at a much reduced pace from a year ago.

Although COVID-19 has dealt a major setback to the advertising economy, it also has the potential to clear a path for innovation as the market rebuilds. Regardless of whether the “blockchain” label gives way to descriptions such as “decentralized ledger,” there is a drive toward more transparent, secure, efficient and decentralized protocols for the ad market. This assures that blockchain-inspired innovations will inevitably take hold … most likely in a five- to ten-year time frame.

**User Advice:** Marketing leaders responsible for advertising should:
Quantify the potential financial benefits of more transparency in the advertising supply chain by examining the spread between ad prices and “working media” (that is, the amount paid to publishers at the end of the chain). Use this analysis to build a case for pilot participation.

Continue to scrutinize claims of blockchain’s suitability for applications that require large-scale, low-latency transactions but entertain other applications where decentralization is beneficial at smaller scales.

Recognize that use of the term “blockchain” to refer to both public and private infrastructures and its cryptocurrency associations have created confusion and compromised the term’s usefulness; don’t conflate the term itself with the value of decentralized architectures.

Prioritize the task of tracking and reporting periodically on the decentralization efforts of standards bodies such as the W3C and the IAB.

**Business Impact:** Digital advertisers today face a difficult choice: purchase media from walled gardens where visibility is limited and market power is concentrated, or buy on the open programmatic ad market where fraud is common and transactions are opaque. A recent study by the Incorporated Society of British Advertisers (ISBA), a U.K. trade group, highlighted the high cost of lack of transparency in the programmatic supply chain. It concluded that 15% of each programmatic ad buy could not be accounted for. This represents about $19 billion that might be recovered under more efficient market infrastructure.

Blockchain-inspired market solutions in principle offer a better alternative. Delivering transparency and accountability in a decentralized market structure could boost advertiser confidence while redistributing revenue to digital media outlets in desperate need.

Privacy is another area of potential impact. New privacy laws and browser restrictions diminish the precision and measurability of digital advertising while cluttering web experience with burdensome consent notices. Although the unalterable nature of blockchain records makes them unsuitable for the storage of personal data, developers and standards bodies are applying decentralized ledger concepts to identity management. That preserves user control over personal data stored off-chain while facilitating its secure authentication and transfer. Such approaches have the potential to resolve long-standing conflicts among businesses, regulators and consumers regarding privacy and personalization.

Last, but significantly, blockchain-based proof-of-authenticity applications could benefit advertisers, publishers, and the public by providing ways to assure the provenance of content and goods, reducing the threat of association with fake news, counterfeit products and the ads that promote them.

**Benefit Rating:** Transformational

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** AdEx; AdLedger; ADconity.com; Brave; Comcast; IBM; Kochava; NYIAX
**Recommended Reading:** “Guidance for Blockchain Solution Adoption”

“How to Plan for Privacy’s Impact on Targeted Advertising”

**Data Clean Rooms**

**Analysis By:** Eric Schmitt

**Definition:** A data clean room is a secure, isolated platform that links anonymized marketing and advertising data from multiple parties. Data clean rooms are distinguished from other data sharing methods by the inclusion of detailed advertising impression data, with privacy-safe restrictions on outputting user-level results.

**Position and Adoption Speed Justification:** Data clean rooms offer marketers a step-function upgrade to advertising capabilities. Early-stage benefits are most readily harvested through analytic and algorithmic insights. Lessons can be manually applied and tested with live campaigns, from planning to execution, optimization and measurement. Marketers can also use clean rooms strategically to inform media planning and budgetary allocations.

Several obstacles to adoption will likely impede market evolution, and add years to the maturation of clean rooms. Challenges include (1) uncertainty around how privacy regulations will be adopted and interpreted, (2) limited incentive for innovation among Google, Facebook and Amazon, and (3) limited availability of big data processing and analytics talent, which adds cost and extends timelines.

**User Advice:** To get the most out of clean room initiatives:

- Define the clean room goals. Most marketers will use clean rooms to improve the efficiency of their media investments via insights from measurement and segmentation. The menu of options includes: reach/frequency measurement, campaign performance analysis, projections and forecasts, governance, and campaign segmentation.

- Embrace agile principles during clean room development. Wrangling and massaging data — especially new, high-volume data sources — very often takes longer than planned. Given the manual and often unpredictable nature of the work, agile principles based on iterative, sustainable development are especially helpful.

- Apply good governance and privacy by design. Despite the name, clean rooms are not infallible. Processing errors may be made by humans or software. Governance risks like data reidentification may be present, despite the technical safeguards the clean room host enforces (such as aggregate reporting outputs with minimum cell sizes). Mitigate this risk with well-documented use cases, with data flow diagrams, and detailed notes on processing and storage.

- Push for independent, cross-media measurement and data modeling standards. It’s no surprise that the Google, Facebook and Amazon data clean rooms are not interoperable. But in a highly consolidated media market with limited advertising options, independent, audited reach/frequency metrics and common data labels are critical to ad buyers.
**Business Impact:** Over time, opportunities to operationalize clean rooms are likely to increase, via:

- Cocktails of first-party, third-party and ad exposure data to unlock lift, attribution and path-to-purchase insights.
- Insights into unduplicated incremental reach, frequency-response curves, retargeting and attribution, which are automatically fed to ad buying and decisioning platforms.
- Creating segments to target with ad campaigns.
- Expanded analysis that includes rich behavioral and engagement data (such as click, watch, like and buy).

At scale, the opportunity to access granular ad impression and interaction data presents digital marketing leaders the potential to dramatically improve return on advertising spend, via both analytic and operational applications.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** Acxiom; Amazon; Annalect; Epsilon; Experian; Facebook; Google; Merkle; MightyHive

**Recommended Reading:**
- “How to Plan for Data Clean Rooms”
- “How to Put Second-Party Data to Work”
- “How to Plan for Privacy’s Impact on Targeted Advertising”
- “Use Targeting Segmentation to Maximize Advertising Reach”

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**Generative AI**

**Analysis By:** Svetlana Sicular; Avivah Litan; Brian Burke

**Definition:** Generative AI is a variety of ML methods that learn a representation of artifacts from the data, and use it to generate brand-new, completely original, realistic artifacts that preserve a likeness to the training data, but do not repeat it. Generative AI can produce novel content (images, video, music, speech, text — even in combination), improve or alter existing content and create new data elements.

**Position and Adoption Speed Justification:** The hype around generative AI is heating up due to its sensational successes and huge societal concerns. According to Adweek, patent filings for generative AI have grown 500% in 2019. Christie’s auction house already sells AI-generated artwork. More practical applications, like differential privacy and synthetic data, are increasingly drawing enterprises’ attention.
AI methods that directly extract numeric or categorical insights from data are relatively widespread. Generative AI, which creates original artifacts or reconstructed content and data, is the next frontier. So far, it is less ubiquitous and with fewer use cases. The hype around generative AI is growing due to a recent notable progress of Generative Adversarial Networks (GANs), invented in 2014, and language generating models, such as Bidirectional Encoder Representations from Transformers (BERT), introduced in 2018, and Generative Pre-trained Transformer 2 (GPT-2) introduced in 2019. Other quickly progressing generative AI methods include self-supervised learning, variational autoencoders and autoregressive models.

Regrettably, generative AI technologies underpin “deep fakes,” content that is dangerous in politics, business and society. Prominent organizations, such as Partnership on AI and DARPA, are pursuing detection of “deep fakes” to counteract fraud, disinformation, instigation of social unrest and other negative impacts of generative AI. In 2020, “deep fakes” are not yet pervasive among the fake content and news spread across the web, but Gartner expects this to rapidly change in the next five years.

**User Advice:** Data and analytics leaders should evaluate generative AI for the following purposes:

- Creative AI, a large subcategory of generative AI to produce art and work that typically requires imagination, for example, Adobe Sensei for visual arts and OpenAI Jukebox for music.
- Content creation, such as text, images, video and sound. Content creation already penetrates marketing, for example, producing personalized copywriting. Twenty-nine percent of marketing leaders rank generative content creation among the top three, according to the 2019 Gartner Marketing Technology Survey.
- Content improvements, such as rewriting the outdated text, background noise cancelation, increasing image resolution, and modifying photos by adjusting, removing or adding artifacts.
- Data creation, often known as synthetic data, to mitigate data scarcity or privacy barriers to insight. Generative techniques create new data instances, so the generated data repeats patterns of the actual data, but is completely made up. For example, text generation for chatbots, image generation for quality analysis in manufacturing, differential privacy. Visma generated for the Norwegian Labour and Welfare Administration the entire population of Norway preserving demographic nuances.
- Industry applications in retail, healthcare, life sciences, telecommunications, media, education and HCM. For example, in healthcare, generative AI could create medical images that depict the future development of a disease. In consumer goods, it can generate catalogs. In e-commerce, it can help customers to “try-on” various makeup and outfits.

Gartner recommends that software companies that produce generative AI include methods to preclude their software from being used to generate fake content before releasing the software, delivering the antidote immediately in version 1.0.

Organizations must prepare to mitigate the impact of deep fakes, which can cause serious disinformation and reputational risk. There are several methods evolving to do this including algorithmic detection and tracing content provenance.
**Business Impact:** More use cases will surface and proliferate. The field of generative AI will progress rapidly, both scientific discovery and technology commercialization. Reproducibility of AI results will be challenging in the near term. Other technologies, especially those that provide trust and transparency, could become an important complement to the generative AI solutions.

Full and accurate detection of generated content will remain challenging for years and may not be completely possible. To do so will require elevating critical thinking as a discipline in the organization. Technical, institutional and political interventions combined will be necessary to fight deep fakes. We will see unusual collaborations, even among competitors, to solve the problem of deep fakes and other ethical issues rooted in generative capabilities of AI.

**Benefit Rating:** Transformational

**Market Penetration:** Less than 1% of target audience

**Maturity:** Emerging

**Sample Vendors:** Adobe (Sensei); Bitext; Dessa; Google (DeepMind); Landing AI; LeapYear; OpenAI; Phrasee; Spectrm; Textio

**Recommended Reading:**
- “Innovation Tech Insight for Deep Learning”
- “How to Benefit From Creative AI — Assisted and Generative Content Creation”
- “Cool Vendors in AI Core Technologies”
- “Cool Vendors in Speech and Natural Language”
- “Cool Vendors in Natural Language Technology”

**Retail Media Networks**

**Analysis By:** Andrew Frank

**Definition:** Retail media networks aggregate consumer traffic on digital commerce sites and apps and sell ad space to brands seeking favorable positioning near shoppers’ intended destinations. Retail media and co-op marketing principles are well-established but ad tech companies and digital retailers are transforming them with real-time markets and programmatic optimization techniques that automate the placement of ads on commerce sites.

**Position and Adoption Speed Justification:** Retail media networks benefit multiple constituencies: digital retailers, brand advertisers, ad tech providers, and even consumers when done with transparency and care. As the market seeks equilibrium among these competing interests, a number of external factors currently inhibit growth:

- Pandemic-induced reductions in ad budgets, fulfillment capabilities and consumer discretionary spending.
Evolving privacy standards and tracking capabilities limit the data that retailers can use for ad targeting and measurement.

Eroding consumer trust in brands contributing to tendencies toward price-value shopping that puts pressure on brands’ gross profit margins available for advertising expenses.

Concentration of scale and market power in a small number of large digital retailers operating their own media businesses, most notably Amazon in the U.S. and Alibaba in China. These companies have significant head starts in markets characterized by strong network effects that amplify first-mover advantages. Although they contribute to the growth of retail media overall, this comes at the expense of neutral retail media networks that compete by serving smaller retailers.

As COVID-19 depletes physical store traffic and reinforces shifts in consumer buying patterns toward digital commerce sites and apps, monetizing the traffic with ads becomes more essential for retailers. With the new emphasis on digital shopping, consumer brands are focused on digital merchandising. Uncertainty around retail media networks runs high, up to and including antitrust actions. In any scenario, it is likely that advertising powered by retailer traffic, data, and inventory will have a significant impact in the coming years but will take at least five years to reach the Plateau of Productivity.

**User Advice:** Retailer marketers and consumer brands that sell through online retail channels should:

- Systematically evaluate retail media advertising options as budgets allow.
- Focus first on second-party data strategies that can optimize targeting precision and reach by combining your data with the network’s (see “How to Put Second-Party Data to Work for Marketing”) to create and monetize high-propensity audiences.
- Subject all data sharing arrangements to internal review for privacy and security compliance.
- Implement a test-and-learn strategy to quickly determine return-on-ad-spend (ROAS) for retail media investments.
- Segment campaigns on a regional basis to maximize sensitivity to varying economic and supply chain conditions affected by the course of the pandemic.
- Keep your eye on the shopping experience that retail media produces and take note of details like ad visibility, competitive separation, contextual relevance and so forth.
- Be sure to tie campaigns to product availability and work toward real-time optimization based on inventory levels and changing environmental conditions.
- Seek performance pricing and transparency of all fees and measurement methodologies. Whenever possible use neutral ad verification and measurement vendors.

**Business Impact:** Even before the coronavirus drove analog shoppers online, the concentration of power in a small number of giant digital retailers (Amazon, Walmart, Alibaba, JD.com) challenged the supremacy of brand-name consumer products and the viability of legacy brick-and-mortar-based retail chains and boutiques. Retail media networks have the potential to counteract this by
shoring up smaller retailer revenue with advertising and offering manufacturers a more competitive media and distribution market. Even as traffic returns to physical stores, retail media networks offer opportunities to raise yields on in-store ad inventory such as digital signage, offsetting some of the costs of maintaining commercial real-estate presence. Innovations like mobile in-store self-scanning and check-out apps with contactless payments also offer novel targeted media opportunities.

Retail media networks are also likely to exacerbate privacy controversies as retailers and brands chafe against consent requirements and other restrictions on data collection for ad targeting and measurement purposes. In all, however, retail media networks are likely to breathe new life into the deeply wounded digital ad and retail markets as brands seek accountable ways to accelerate their recovery from a COVID-19-induced recession.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Emerging

**Sample Vendors:** Amazon; Criteo; Inmar; Microsoft (PromotelQ); Target (Roundel)

### Visual Search for Marketing

**Analysis By:** Nicole Greene

**Definition:** Visual search is the ability to initiate a search (query) using real-world images captured by a mobile device, including smartphones and tablets. Visual search for marketing applications of this technology include identifying a specific product, providing related content or detailed information, locating retail outlets for purchase, suggesting complementary or competitive products, or otherwise triggering engagement.

**Position and Adoption Speed Justification:** Fully realized visual search tools will enable marketers to drive consumers from the awareness phase of the buying cycle to the purchase/conversion stage in an instant. Such searches can include physical places and things. For example, one can hold a phone with a visual-search-enabled app up to the object, or the front of a restaurant and get detailed information such as the restaurant’s menu, hours of operations or ratings. Visual search capabilities are available in apps such as Google Lens (Android), the Google App (Android and iOS) and Prism (iOS). Major companies like Google, Microsoft, Pinterest, Snapchat and a host of augmented reality vendors continue to invest in technologies that use computer vision and artificial intelligence (deep neural networks specifically). For example, Pinterest processes as many as 600 million visual searches per month, supported by tools including Shop the Look and Pinterest Lens. It continues to refine the UI to make the visual search more prominent and provides shortcuts to extend the capability to other elements of the app. Snapchat’s visual search allows users to take a picture of an object then search for it on Amazon. Brands already leveraging visual search include ASOS, the U.K. online fashion retailer. Their Style Match tool is integrated into their mobile app and helps shoppers find similar apparel from photos they upload across its catalog of more than 85,000 SKUs. Marketing success depends on the maturation of these technologies, in concert with mature data and image metadata and tagging capabilities.
**User Advice:** Marketing leaders responsible for e-commerce, search marketing, content marketing and mobile marketing must ensure that they have made the necessary investments in structured data — for products and services — and have built advanced metadata tagging processes into workflows. This precision is required for complex products with long lifespans that are repaired or serviced regularly (e.g., cars, home appliances, etc.), and for seasonally driven products where nuance matters, like in fashion and beauty. Consider the evolution of the Ford Mustang. When consumers use their smartphones to do a visual search on 2020 Ford Mustang, are they interested in new Mustangs or just a specific model year? Search marketers need to define the value of bidding on these kinds of searches. The ability to apply visual search to video will be an increasingly important consideration as technology advances. For example, if a brand develops a promotional video that features multiple products in workout apparel, visual search will require precise tagging to allow a consumer to choose the specific item of interest, the sneakers versus the leggings. To leverage the data flowing from consumers’ visual search usage, marketers must ensure that privacy statements and disclosures for their apps and websites are updated with clear descriptions of how visual search data is used.

**Business Impact:** Visual search benefits marketing leaders who are responsible for e-commerce operations, content marketing, product and search marketing. It can enhance customer experience across all phases of the buying journey from awareness to postsale service and support. Beyond reducing friction for the customer or prospect at the top of the funnel, visual searches are a source of contextual information (e.g., location, time of day, local weather). This translates to impact on SEO, where images should reflect the time of day that most visual searches will occur. Understanding where and when consumers are starting their searches with pictures can enhance journey building and customer profiles. This step will require a clear and concise request that users opt-in to share their location. For example, Instagram is using location tags to support visual search efforts that support business location discovery and travel.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Emerging

**Sample Vendors:** Amazon; Blippar; Facebook; Google; Microsoft; Pinterest; Slyce; Zebra Technologies

**Recommended Reading:** “Mobile Marketing Maturity: Moving From the Nascent Level to the Developing Level”

“A 3-Step Guide to Unlocking Marketing’s Voice Search Opportunity”

“Maximizing Search Marketing Investments”

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