

Artificial Intelligence In Marketing

2024 Update

The logo for EVALLA ADVISORS features a stylized 'E' icon on the left, followed by the text 'EVALLA ADVISORS' in a bold, dark red font. Below this, the tagline 'EVOLVING AND CHANGING M & A' is written in a smaller, dark red font.

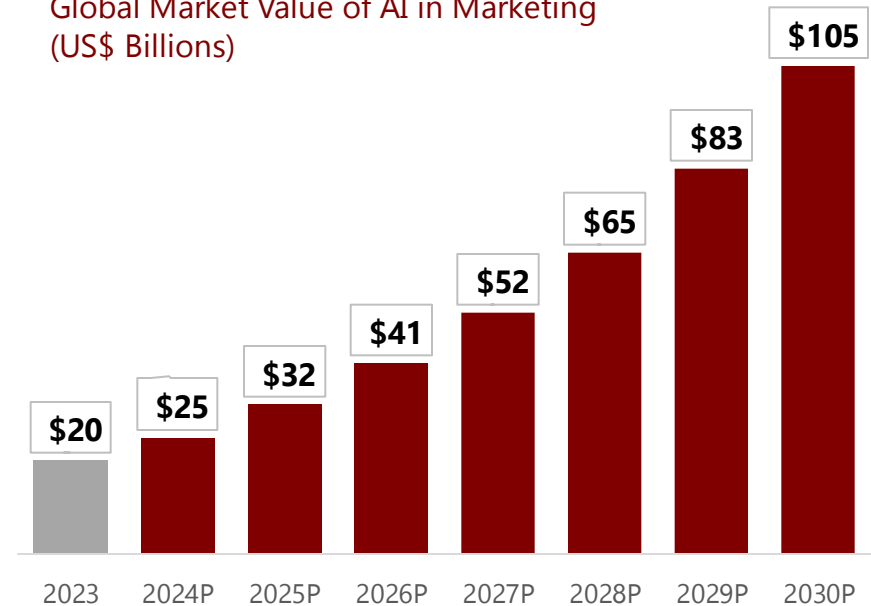
EVALLA ADVISORS
EVOLVING AND CHANGING M & A

UNLOCK \$25 BILLION IN GROWTH THIS YEAR: HOW AI IS TRANSFORMING MARKETING

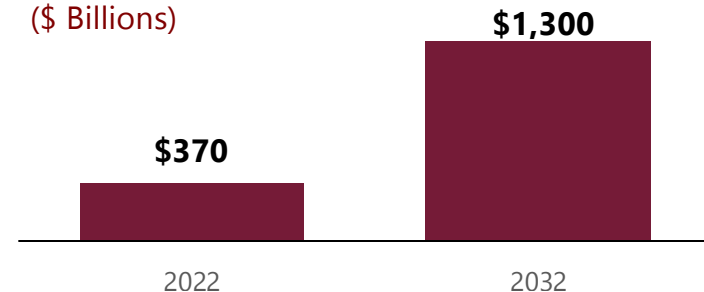
The growing role of AI in marketing

- The size of the marketing Artificial Intelligence (AI) sector has witnessed significant continued growth, driven by the increasing demand for advanced analytics, automation, and enhanced customer experiences. The proliferation of digital data and the evolution of consumer expectations have further fueled this expansion, positioning AI as a critical component in modern marketing strategies
- By 2033, the market is projected to reach \$214 billion, reflecting a notable CAGR of 26.7% from 2024 to 2033
- North America had the largest share of the AI in marketing market, capturing more than 32% in 2023. This leadership has been attributed to the presence of major technology firms, strong digital infrastructure, and significant investments in AI research

Global Market Value of AI in Marketing (US\$ Billions)

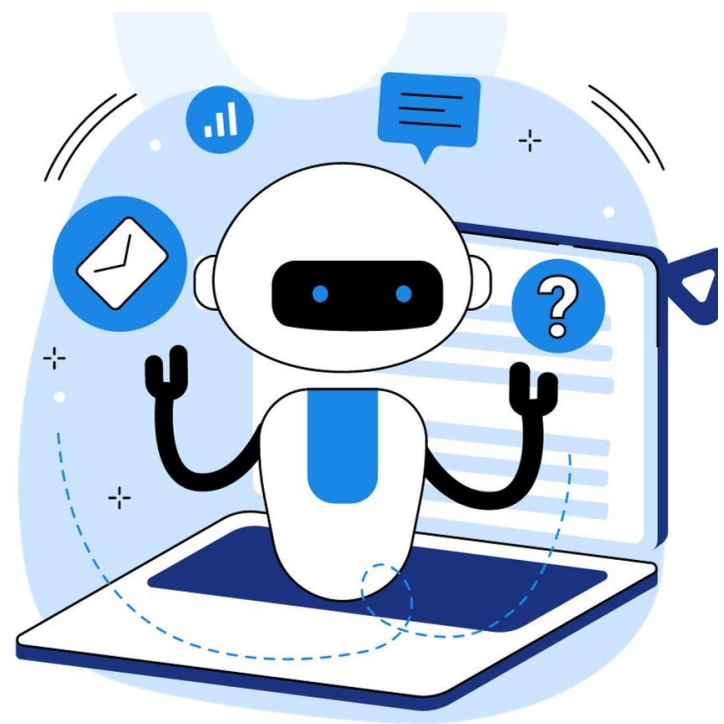


AI-Enabled Global Ad Spend (\$ Billions)



DATA-DRIVEN AI: THE POWERHOUSE OF INSIGHTS

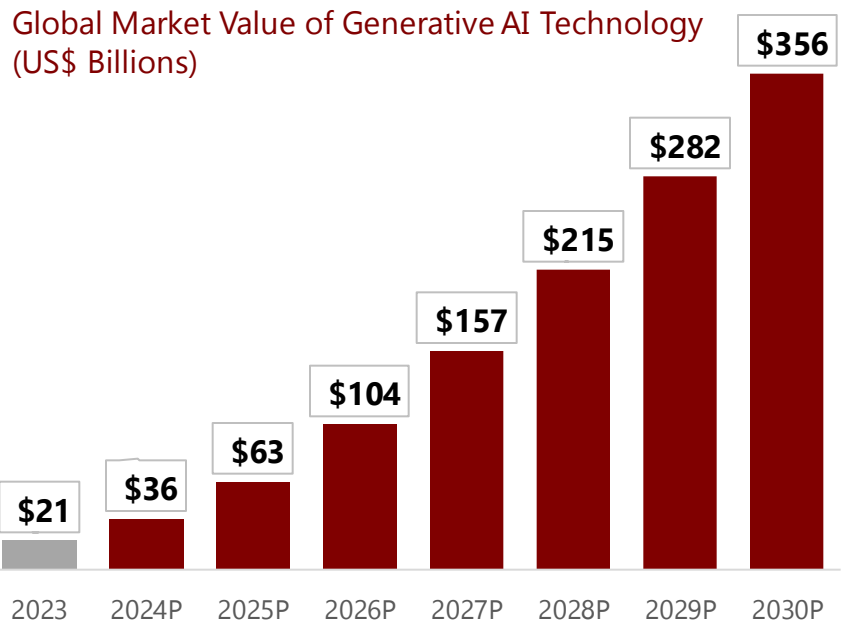
- **Established & Essential:** Data-driven AI has been a mainstay in marketing for years, with 80% of marketers reporting they use data analytics in their campaigns. This translates to a significant competitive advantage, as data analysis allows for:
 - **Targeted Advertising:** Identify high-value customer segments and tailor messaging, leading to increased campaign effectiveness and ROI. E.g., Epsilon study shows that personalized marketing campaigns see a 40% increase in conversion rates
 - **Content Optimization:** Analyze audience engagement with content to understand what resonates and tailor future content strategies for maximum impact. E.g., Forrester research indicates data-driven content marketing generates 30% more traffic and leads
- **Unlocking Customer Understanding:** By analyzing vast amounts of data from customer interactions (website behavior, social media engagement, purchase history), data AI helps marketers understand their audience on a deeper level. This empowers them to create more relevant and personalized marketing experiences.



GENERATIVE AI: A NEW FRONTIER IN CONTENT CREATION

- **Explosive Growth:** Since late 2023, generative AI has emerged as a major force, creating a whole new landscape for content creation in marketing.
- **Enhanced Creativity:** While not replacing human creativity, generative AI can act as a powerful brainstorming tool, sparking new ideas and content concepts that can be further developed by human marketers
- **Content Powerhouse:** This technology can create entirely new content formats, (e.g., personalized product descriptions, ad copy variations, engaging social media posts), expanding marketing possibilities beyond traditional methods. This allows for:
 - **Faster Content Production:** Generate multiple content variations in seconds, streamlining content creation workflows and meeting tight deadlines
 - **A/B Testing at Scale:** Quickly produce a multitude of ad copy variations or social media post options for A/B testing, leading to data-driven optimization of marketing campaigns

A recent study by McKinsey found that 33% of marketing organizations are already using generative AI



LEARN THE BENEFITS & CHALLENGES OF AI FOR AGENCIES

Benefits

- 1. Increased Efficiency:** AI can automate repetitive tasks such as data collection, analysis, and reporting, allowing marketers to focus on creative and strategic work. This can lead to increased efficiency and productivity, allowing agencies to take on more clients and scale their operations
- 2. Improved Personalization:** AI can help marketers to understand their target audience better by analyzing vast amounts of data and identifying patterns and trends. This can help agencies to create more personalized and targeted marketing campaigns that resonate with their audience, leading to higher engagement and conversions
- 3. Enhanced Customer Experience:** AI-powered chatbots can provide instant customer service, 24/7, which can improve the customer experience and increase customer satisfaction. Additionally, AI can help marketers to predict customer behavior and preferences, allowing them to offer tailored recommendations and promotions
- 4. Better Data Analysis:** AI can analyze large amounts of data in real-time, providing marketers with valuable insights that can inform their strategy and decision-making. This can help agencies to stay ahead of their competitors by identifying trends and opportunities in the market
- 5. Cost Savings:** By automating tasks and processes, AI can help marketing agencies to reduce their operational costs, allowing them to offer their services at a more competitive price point. Additionally, AI can help agencies to optimize their ad spend by identifying the most effective channels and targeting options

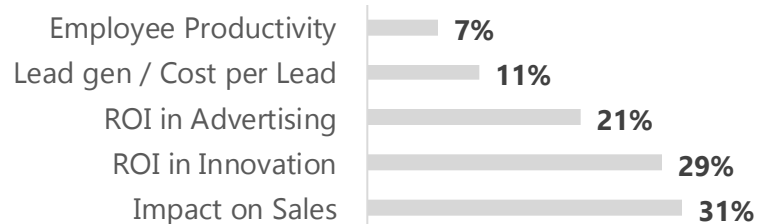
Challenges

- 1. Data Hurdles:** Effective AI requires clean, high-quality data. Integrating data from various sources, like customer relationship management (CRM) systems and website analytics, and ensuring its accuracy can be complex and time-consuming, delaying AI implementation
- 2. Talent & Expertise:** Many agencies lack in-house talent with the expertise to build, manage, and interpret AI models effectively. This necessitates hiring data scientists and AI specialists, which can be expensive and competitive
- 3. Cultural Resistance:** Shifting from traditional marketing methods, like A/B testing and focus groups, to AI-driven strategies can be met with resistance from teams accustomed to established workflows. Training and open communication are essential to overcome these anxieties
- 4. Ethical Considerations:** AI algorithms can perpetuate biases present in the data they're trained on, potentially leading to discriminatory marketing practices. Ensuring transparency and mitigating bias in AI marketing through responsible data collection and model development is crucial
- 5. Uncertainty & Measurement on ROI:** Quantifying the specific ROI of AI marketing initiatives, such as increased brand loyalty or customer lifetime value, can be challenging. This makes it difficult for some agencies to justify the initial investment in AI technology and resources

MARKETING'S AI TAKEOVER: JOIN THE 64% USING AI FOR GROWTH

- When looking into the use of AI within agencies, 64% of marketing professionals said they use AI tools in some form in their jobs, but the purpose and level of integration can vary widely. Just 21% of marketers said it's extensively integrated into their daily workflows
- The top three uses of AI in digital marketing are:
 - Personalization (53%)
 - Content creation (49%)
 - Optimizing digital marketing ROI (37%)
 - Programmatic advertising (35%)
- In a post-pandemic world, companies have shown progress in their digital marketing transformation journey, as almost a quarter of marketers (24%) participating in a recent Deloitte CMO survey believe their organizations have fully integrated digital investments, compared to only 14% last year, and 13% of respondents said that organizations leverage digital investments to drive and evaluate marketing decisions, compared to 7% a year ago





How AI is Valued by Marketers








Six out of ten marketing leaders used AI in their activities over the last year

60% of CMOs use AI in marketing

AGENCIES AND AI - HOW MAJOR SHOPS ARE USING ARTIFICIAL INTELLIGENCE

Agency	AI Capabilities / Uses	AI Acquisitions / Investments	Future AI Plans
 Accenture Song	<ul style="list-style-type: none"> Leveraging Generative AI to help clients determine how AI at large can fit into their businesses Full-stack generative AI platform that helps businesses use large language models to generate written content 	<ul style="list-style-type: none"> AI Navigator for Enterprise Writer 	<ul style="list-style-type: none"> \$3 billion investment in AI Developing industry-specific AI models—some of which may end up looking like Salesforce and Meta’s ad-focused AI tools Plans to double its AI staff to 80,000
 dentsu	<ul style="list-style-type: none"> Integrates AI tools from Google (Vertex AI, Duet AI) and Microsoft (Azure OpenAI with GPT-4 access) through a deal with the companies Solutions improving client efficiency and speed Enhance customer experience management for clients 	<ul style="list-style-type: none"> Merkle GenCX AI Playground LATAM 	<ul style="list-style-type: none"> Maintains an internal group called AI Connective, which shapes the strategy behind these developments. AI Connective consists of client-facing teams, engineering teams and solutions teams across the company
 HAVAS	<ul style="list-style-type: none"> Enhanced use of data through unique expertise in AI powered hyper-automation Data-enabled insights and experimentation to refine consumer engagement strategies 90% of Havas Media Group has deployed AI solutions using AI to power custom algorithms in the demand-side platforms — or ad tech used to place programmatic bids Partnership with Adobe, providing Havas with direct access to Adobe Firefly, Adobe’s family of creative generative AI models Converged – an AI-powered planning and insight solution for the post-cookie era 	<ul style="list-style-type: none"> TED Consulting 	<ul style="list-style-type: none"> Over the next two to three years, Havas Media Group wants AI more deeply embedded into the fabric of the agency. So not just using AI to optimize all media buys but also to create custom algorithms within a programmatic bidder or using the technology to identify the right training modules for a planner as well as making manual tasks like filling out timesheets
 IPG	<ul style="list-style-type: none"> AI Platform powered by numerous Adobe products under Adobe GenStudio Proprietary, AI-powered Living Intelligence Value Engine Next-gen data, AI and tech-enabled platforms for Healthcare Partnership with Google that incorporates Google’s generative AI tools with machine learning models that are available in Google Cloud Market-leading global data set and proprietary customer intelligence solutions through Acxiom 	<ul style="list-style-type: none"> IPG Engine Huge 	<ul style="list-style-type: none"> Committing \$100m to building out AI generative tools and products in partnership with Adobe Partnership with Adobe software, via GenStudio, will power content production across IPG Brand AI models

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	<ul style="list-style-type: none"> Deals in place with Google, Microsoft and Amazon Integrations between the tech companies' generative AI models and Omni—Omnicom's internal marketing and data platform 	<ul style="list-style-type: none"> Omni Assist 	<ul style="list-style-type: none"> As part of the deal with Microsoft, Omni Assist was announced and is a ChatGPT-based chatbot. Omni Assist is embedded within Omni, and aims to help with audience development, planning activation, measurement and optimization
	<ul style="list-style-type: none"> Marcel, AI talent management tool, used from internal staffing and learning new skills to finding data-driven insights for clients PublicisGPT groups together generative AI tools from various companies, including OpenAI, Microsoft, Google and Adobe 	<ul style="list-style-type: none"> Marcel Internal AI hub – PublicisGPT Publicis Sapient AI Labs 	<ul style="list-style-type: none"> Invested ~\$11 billion in AI-powered technology Profitero is launching a version of its commerce analytics software backed by generative AI called Ask Profitero
	<ul style="list-style-type: none"> Machine learning, natural language processing and semantic search to identify journalists most suitable for a particular pitch and pitch creation through generative AI Analyze data for the purpose of saving time, producing storyboards and reducing the costs for processing invoices 	<ul style="list-style-type: none"> PRophet Left Field Labs 	<ul style="list-style-type: none"> Stagwell's Code and Theory network has a partnership with Oracle Cloud Infrastructure to develop AI-powered capabilities for the former's clients
	<ul style="list-style-type: none"> Generative AI training for its agency, Jellyfish, employees Pencil Platform that uses generative AI to predict the kinds of ads that might work for a brand 	<ul style="list-style-type: none"> Pencil 	<ul style="list-style-type: none"> Developing a solution that consolidates a host of AI tools, including ChatGPT and Stable Diffusion, to fit a variety of media integrations, such as TikTok and Amazon Ads
	<ul style="list-style-type: none"> Launched the WPP Creative Technology Apprenticeship (CTA) to train apprentices on generative AI Deep partnerships with Adobe, Google, IBM, Microsoft, Nvidia and OpenAI Enterprise AI technologies, combining machine learning and optimization Drive improved returns to clients through a set of AI-enabled services and tools, delivered by WPP Open, WPP's common technology platform, and powered by proprietary AI models 	<ul style="list-style-type: none"> Satalia WPP Open 	<ul style="list-style-type: none"> Plans to invest \$315m a year in proprietary technology to support its AI and data strategy Partnership with Nvidia to create an ad platform built on generative AI technology

AI-POWERED MARKETING STRATEGIES FOR BRANDS

The Rise of AI in Marketing: A Game Changer for Brands

- 64% of Brands Embrace AI: A recent study by the Marketing Insider Group in 2024 shows a significant 64% of brands are already utilizing AI in some form for marketing. This rapid adoption highlights the increasing value brands see in AI's capabilities to personalize experiences, optimize campaigns, and gain deeper customer insights

AI Reshapes Brand-Agency Dynamics:

- Shifting Strategic Focus: AI automates tasks, freeing agencies for strategic planning & high-level creative (72% of marketers agree, AMA 2024). Most brands value agencies with strong AI expertise for this strategic edge.
- Data-Driven Decisions: AI analyzes vast customer data, empowering data-driven insights into preferences and campaign effectiveness (73% of AI users see higher ROI, Forrester 2024). Brands seek agencies translating this data into actionable marketing strategies)
- The AI Advantage: Agencies with strong AI capabilities are more attractive to brands seeking a competitive edge (80% of marketing leaders agree, Gartner 2024). This edge allows them to deliver more effective campaigns and measurable results for their brand partners

Do Brands Want Agencies to Use AI? Yes, But..

- Focus on Expertise, Not Just Tools: While brands value agencies that utilize AI, expertise in using AI effectively is crucial. A study by McKinsey found that only 20% of companies are actually achieving value from their AI investments. Brands are looking for agencies that can demonstrate a clear understanding of how to leverage AI to achieve specific marketing goals
- Transparency & Explainability: Brands need to understand how AI is being used in their campaigns and the rationale behind the data-driven insights. A survey by Edelman found that 73% of consumers are concerned about the lack of transparency in AI-driven marketing. Brands are looking for agencies that can explain how AI is being used and the impact it has on campaign performance

The Future of Marketing Costs:

- AI automation may decrease some marketing expenses. By automating repetitive tasks, AI can potentially reduce the time and resources needed for certain marketing activities. This could lead to a decrease in some marketing expenses, allowing brands to reallocate resources towards other areas, such as creative development or content marketing
- Brands may pay more for agencies demonstrating AI's impact on ROI. While AI automation may decrease some costs, brands are ultimately looking for a return on their marketing investment. Agencies that can demonstrate how AI is used to optimize campaigns, personalize experiences, and ultimately drive measurable results are likely to command a premium

HOW MARKETERS USING AI SHOULD CHARGE CLIENTS




The Marketing Landscape Transformed: AI is revolutionizing marketing, automating tasks and enabling data-driven strategies. While these advancements create exciting opportunities, traditional billing methods like hourly rates no longer reflect the true value delivered by AI marketing expertise

The Problem with Hourly Billing:

- Time vs. Results: Focusing on hours worked undervalues the strategic thinking and AI implementation skills crucial for success
- Inefficient for Streamlined Workflows: AI automates tasks, potentially leading to fewer billable hours under a traditional hourly model
- Client Focus on Outcomes: Clients are increasingly interested in measurable results, not the time it takes to achieve them (CMO Survey 2024, Duke & Deloitte)

“How should agencies charge for AI? They shouldn’t. Agencies should charge based on the (projected) value of the solution they provide to the client. AI is a powerful tool for agencies to get to the solution more efficiently and increase their margins.” **Howard Moggs, Founder & Chief Growth Officer of Uncommon, a growth consultancy for agencies.**

Consider These Models:

- 1. Performance-Based Fees:** Tie your fee to a percentage of the ROI your AI strategy generates  6% average sales increase reported with AI - CMO Survey 2024
- 2. Value Pricing:** Set a fixed price based on the overall value you deliver, considering factors like increased brand loyalty and customer lifetime value. Value-based pricing fosters stronger client relationships and incentivizes results-driven strategies.  7% average customer satisfaction increase with AI - CMO Survey 2024
- 3. Tiered Packages:** Offer tiered packages with varying levels of AI implementation and corresponding fees  AI adoption reduces marketing overhead costs by 7% - CMO Survey 2024

HOW THE AI LANDSCAPE HAS CHANGED IN JUST 12 MONTHS

May - June 2023: Democratization of AI Empowers Marketers

- User-friendly AI marketing platforms and pre-trained models become widely available
- Marketers, even without extensive technical skills, can leverage AI for audience segmentation based on vast customer data. This allows them to reach the right customers with the right message

July - August 2023: Generative AI Creates Engaging Content

- Advancements in generative AI models lead to the creation of more realistic and creative content formats
- This includes text formats like marketing copy and code generation, as well as highly realistic image creation with potential applications in product design and advertising

September - October 2023: Explainable AI Gains Traction

- Growing emphasis on transparency leads to Explainable AI (XAI) for marketing
- Marketers can now understand the reasoning behind AI recommendations for ad targeting, content creation, and campaign optimization (e.g., Marketing platform W introduces XAI features that explain audience segments suggested by its AI algorithm). This builds trust with consumers by providing insights into how their data personalizes their marketing experience

November - December 2023: AI Optimizes Marketing ROI

- AI optimizes marketing ROI through real-time campaign performance analysis
- This includes AI-powered A/B testing of ad copy, landing pages, and email subject lines to identify the most effective messaging
- AI automates repetitive tasks like reporting, allowing marketers to focus on strategic decision-making and creative development

January – Present 2024: AI Continues to Evolve

- The first half of 2024 sees continued advancements across various AI subfields, including natural language processing, computer vision, and reinforcement learning
- These advancements pave the way for even more powerful and versatile AI applications in the future

THE GENERATIVE AI LANDSCAPE: What does GenAI do and how can agencies use it?

TEXT

MARKETING

copy.ai frasa Writesonic copysmith Simplified
 Ponzu Mullin Clickable Bertha.ai anyword
 letterdrop Omneky Peppertype.ai Contenda Jasper
 attentive Hypotenuse AI Moonbeam

GENERAL WRITING

Rytr LEX NovelAI wordtune sudo.write WRITER
 Subtxt LAIKA Twain COMPOSE AI HyperWrite

SALES

LAVENDER regie.ai Smartwriter.ai Outplay Reach

SUPPORT (CHAT/EMAIL)

Cohere KAIZAN™ Typewise
 CRESTA XOKind

AI ASSISTANTS

Andi Quickchat

KNOWLEDGE

glean cohere mem [redacted]

OTHER

Character.AI KEYS AI DUNGEON

IMAGE

IMAGE GENERATION

Midjourney OpenArt crayon WOMBO.AI ROSEBUD.AI
 lexica. Playground PhotoRoom Nyx gallery
 DALL-E artbreeder alpaca KREA Stable Diffusion Comfy UI

DESIGN

Diagram VIZCOM Poly INTERIOR AI™
 uizard Aragon maket CALA Kittl
 Recraft modyfi Picsart Figma VISUAL ELECTRIC

MEDIA/ADVERTISING

salt THE CULTURE DAO

CONSUMER/SOCIAL

Midjourney

VIDEO

EDITING/GENERATION

runway FLIKI
 Dūbverse Opus AI

PERSONALIZED VIDEOS

tavus synthesisia Merlio
 Colossyan Hour One. Rephrase.ai

SPEECH

VOICE SYNTHESIS

RESEMBLE.AI WELLSAID podcast.ai REPLICAI
 descript Listnr VOICEMOD broadn FLIKI

3D

3D MODELS / SCENES

mirage
 Common Sense Machines

 Indicates new Generative AI added

ADDITIONAL AI TRENDS IN 2024

The Recent Transition of AI

- The journey of Generative AI began with its productization for the public in 2022, followed by a practical integration into various business landscapes throughout 2023. As we enter Q3 2024, the focus sharpens on seamlessly integrating this transformative technology into everyday life
- The evolution of Generative AI mirrors that of computers, progressing from massive mainframes to powerful personal computers as generative AI reached its "hobbyist" phase in 2023, with the launch of open-license foundation models such as LLaMa family, StableLM, Falcon, Mistral, and Llama 2
- Key advancements include the remarkable performance of open models compared to closed-source counterparts across various benchmarks. Future strides aim at fortifying trust, sustainability, and accessibility through governance structures, middleware innovations, and refined training techniques

Important current AI trends to look out for in the coming year:

1. Reality check: more realistic expectations
2. Multimodal AI
3. Small(er) language models and open-source advancements
4. GPU shortages and cloud costs
5. Customized local models and data pipelines
6. More powerful virtual agents
7. Regulation, copyright and ethical AI concerns
8. Shadow AI (and corporate AI policies)

REALITY CHECK: MORE REALISTIC EXPECTATIONS

- Initial awareness of generative AI stemmed largely from marketing materials and media hype, with limited hands-on experience primarily involving tools like ChatGPT and DALL-E. As the initial excitement settles, the business community gains a more nuanced understanding of AI-powered solutions
- Generative AI finds itself positioned by the Gartner Hype Cycle at the "Peak of Inflated Expectations," poised for a potential transition into the "Trough of Disillusionment." Deloitte's Q1 2024 report indicates widespread anticipation of substantial transformative impacts in the short term. However, reality likely falls in between, with generative AI offering unique opportunities but not fulfilling all expectations
- Real-world outcomes often diverge from hype, with integrated tools like Google's "Smart Compose" feature, which initially went unnoticed but laid the groundwork for today's text generating services. Similarly, high-impact generative AI tools are integrated into enterprise environments to enhance existing tools rather than revolutionize them
- The future adoption and impact of generative AI tools will be influenced by their seamless integration into everyday workflows. According to an IBM survey, key drivers of AI adoption include advances in accessibility, cost reduction, and the integration of AI into standard business applications

Implications and Benefits for Marketing

Move Beyond the Hype: Focus on Practical Applications

While initial excitement was high, marketers should move beyond the hype and focus on practical applications of generative AI. Don't expect a revolution, but rather an augmentation of existing workflows. Look for ways to integrate generative AI to enhance existing marketing tasks

AI as a Force Multiplier, Not a Replacement

Generative AI isn't here to replace marketing professionals. Instead, it presents an opportunity to become a powerful force multiplier. By leveraging AI for repetitive tasks like content creation and ad copy generation (as supported by a 2024 McKinsey study which found 60% of marketers are already using AI for content personalization), marketers can free up their time to focus on strategic initiatives and develop creative campaigns. This aligns with a 2023 Salesforce report where 72% of marketing leaders emphasized the importance of integrating AI with existing marketing technology for success

Gradual Transformation, Not Overnight Revolution.

Deloitte's report highlights an expectation of short-term transformation, but real-world adoption suggests a more gradual process. Generative AI offers unique opportunities, but it won't replace the entire marketing function. Marketers can use AI to automate repetitive tasks, personalize content at scale, and gain data-driven insights to optimize campaigns, leading to a more efficient and effective marketing strategy

MULTIMODAL AI (AND VIDEO)

- The next phase of generative AI advancement shifts focus towards multimodal models capable of processing various data types. While text-to-image and speech-to-text models have existed for years, they typically operated in one direction and were task-specific
- Interdisciplinary models like OpenAI's GPT-4V, Google's Gemini, and open-source models such as LLaVa, Adept, and Qwen-VL transcend these limitations. They seamlessly navigate between natural language processing (NLP) and computer vision tasks, with recent additions like Google's Lumiere, a text-to-video diffusion model
- Multimodal AI enables more intuitive and versatile applications, where users can receive natural language responses to image queries or visual aids alongside text instructions for tasks. Moreover, it enriches training and inference data by incorporating diverse inputs, particularly video, which offers holistic learning opportunities

"AI models haven't had that kind of data before. Those models will just have a better understanding of everything."

Peter Norvig,
Distinguished Education Fellow at the Stanford
Institute for Human-Centered Artificial
Intelligence (HAI)

Implications and Benefits for Marketing

Deeper Customer Understanding (80% of Marketers by 2025)

Multimodal AI allows marketers to move beyond traditional text data through analyzing customer behavior through images and videos (social media posts, website interactions). This richer data pool allows you to gain a nuanced understanding of customer preferences and needs, informing more targeted marketing strategies

Personalized Content at Scale (60% of Marketers are Already Onboard)

Craft highly personalized marketing content that resonates deeply with your audience. Leverage multimodal AI to generate text, images, and even short videos tailored to individual customer profiles and preferences. This allows you to deliver a more engaging and effective marketing experience across all channels

Interactive Experiences & On-Demand Content Creation

Imagine using text prompts to generate short explainer videos or personalized product demos on the fly. Multimodal AI opens doors to creating interactive and immersive marketing campaigns that grab attention and keep your audience engaged. Tools like Google's Lumiere text-to-video diffusion model showcase the potential for dynamic content creation on-demand

SMALL(ER) LANGUAGE MODELS AND OPEN-SOURCE ADVANCEMENTS

- OpenAI CEO, Sam Altman of OpenAI suggests a shift away from solely focusing on larger parameter counts in domain-specific models like LLMs, highlighting the need for alternative improvements
- Massive models pose challenges due to resource intensity, with training a single GPT-3-sized model consuming as much electricity as over 1,000 households annually. Smaller models offer a sustainable alternative, with recent innovations demonstrating improved performance with fewer parameters
- Notable advancements include Mistral's Mixtral and Meta's upcoming Llama 3 models, which offer improved performance and faster inference speeds compared to larger counterparts like GPT-3.5
- These advances in smaller models have three important benefits:

1. They help democratize AI: smaller models that can be run at lower cost on more attainable hardware empower more amateurs and institutions to study, train and improve existing models
2. They can be run locally on smaller devices: this allows more sophisticated AI in scenarios like edge computing and the internet of things (IoT). Furthermore, running models locally—like on a user's smartphone—helps to sidestep many privacy and cybersecurity concerns that arise from interaction with sensitive personal or proprietary data
3. They make AI more explainable: the larger the model, the more difficult it is to pinpoint how and where it makes important decisions. Explainable AI is essential to understanding, improving and trusting the output of AI systems

Implications and Benefits for Marketing

A/B Testing on Steroids

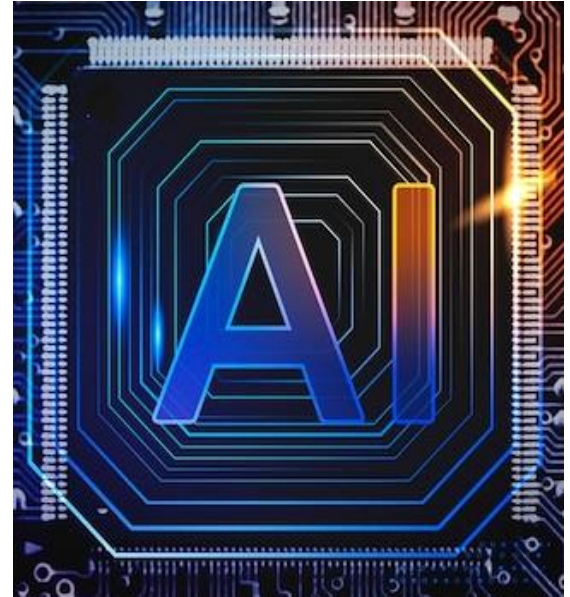
Smaller, faster-to-train models enable rapid A/B testing of marketing copy, ad creatives, and even product recommendations. This allows for near real-time optimization of marketing campaigns, maximizing effectiveness and return on investment. A study by Econsultancy found that 73% of marketers already leverage A/B testing, and smaller AI can significantly accelerate this process for even more impactful results

Hyper-Targeted Local Marketing

Imagine customizing AI models for specific geographic regions or demographics. Smaller AI can be trained on local datasets, enabling marketers to craft hyper-targeted campaigns that resonate with the nuances of individual markets or customer segments. This can lead to significantly improved local marketing performance, aligning with the growing consumer expectation for location-based personalization - a trend where 70% of consumers expect location-based marketing according to a 2023 Local Search Association report.

GPU SHORTAGES AND CLOUD COSTS

- The trend towards smaller AI models is being fueled by both necessity and entrepreneurial vigor, as cloud computing costs rise amidst hardware shortages
- “The big companies (and more of them) are all trying to bring AI capabilities in-house, and there is a bit of a run on Graphics Processing Units (GPUs)... This will create a huge pressure not only for increased GPU production, but for innovators to come up with hardware solutions that are cheaper and easier to make and use.” - James Landay, Vice-Director and Faculty Director of Research, Stanford HAI
- Cloud providers currently bear much of the computing burden, and hardware shortages will only elevate the hurdles and costs of setting up on-premise servers. In the long term, this may put upward pressure on cloud costs as providers update and optimize their own infrastructure to effectively meet demand from generative AI
- “For enterprises, navigating this uncertain landscape requires flexibility... so if they want to deploy it on a large public cloud, we’ll do it there. If they want to deploy it at IBM, we’ll do it at IBM. If they want to do it on their own, and they happen to have enough infrastructure, we’ll do it there.” - Arvind Krishna, IBM CEO



Implications and Benefits for Marketing

Embrace Efficient AI Models

The shift towards smaller, more efficient AI models presents a silver lining. These models require less processing power, potentially reducing reliance on expensive cloud resources. This aligns with a recent Gartner report which found that by 2025, 60% of organizations will prioritize explainable and efficient AI models over ever-larger ones. Leveraging these efficient models allows you to unlock the power of AI for marketing tasks like content creation or customer segmentation without breaking the bank

Explore On-Premise & Hybrid Solutions:

The GPU shortage might make on-premise deployments seem daunting. However, with careful planning and the right infrastructure, it can offer a cost-effective alternative in the long run. Consider a hybrid approach, leveraging cloud resources for peak processing needs while running smaller AI models on-premise. This strategy can help you maintain flexibility and potentially reduce cloud service costs

CUSTOMIZED LOCAL MODELS AND DATA PIPELINES

- Enterprises in 2024 have the opportunity to differentiate themselves by developing bespoke AI models tailored to their specific needs
- With existing open-source AI models and tools, organizations can quickly create powerful custom models trained on proprietary data, suitable for various real-world scenarios
- Open-source models offer a cost-effective approach, particularly in specialized domains like legal, healthcare, and finance, where unique vocabulary and concepts require tailored solutions
- Industries such as legal, finance, and healthcare benefit from locally run AI models on modest hardware, minimizing data privacy risks and reducing costs associated with model size and speed
- In 2024, competitive advantage will increasingly hinge on proprietary data pipelines facilitating industry-best fine-tuning, leveling the playing field for AI model development

Implications and Benefits for Marketing

Hyper-Local, Hyper-Engaged

Build custom AI models trained on YOUR customer data (local dialects, preferences). Craft personalized marketing campaigns that resonate deeply, boosting engagement & conversions

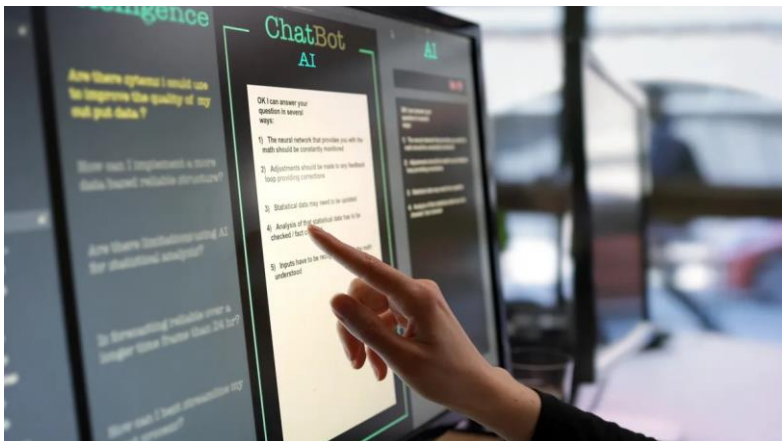
Level Up Your Marketing Muscle

Proprietary data pipelines unlock AI development for everyone. Leverage open-source models & tailor them with your unique data to create high-performing AI models specifically suited to YOUR marketing needs. Compete effectively, even with limited resources



MORE POWERFUL VIRTUAL AGENTS

- Businesses are poised to leverage more sophisticated virtual agent technologies, extending their applications beyond conventional customer service chatbots.
- "In 2024, virtual agents will evolve from mere chat interfaces to proactive task assistants, capable of executing actions on behalf of users," highlights insights from Stanford's Peter Norvig
- The integration of multimodal AI opens new avenues for intuitive interaction with virtual agents. For instance, users can leverage visual inputs to request tailored assistance, such as obtaining recipes based on available ingredients or accessing real-time assistance via mobile apps like Be My Eyes
- As AI systems continue to advance and diversify, businesses are embracing innovative ways to streamline tasks and enhance user experiences through virtual agent technologies



Implications and Benefits for Marketing

24/7 Lead Generation & Qualification

Leverage virtual agents to capture leads and answer basic inquiries around the clock. This frees up teams to focus on high-value tasks while providing a seamless experience for potential customers. A Forrester Research study found that 73% of customers prefer using self-service options like chatbots for simple tasks

Hyper-Personalized Customer Journeys

Embrace multimodal AI to create interactive virtual agents. Imagine chatbots that respond to visual queries or offer product recommendations based on past purchases. This personalized approach fosters deeper customer engagement and strengthens the overall marketing impact. A Zendesk report indicates that 61% of consumers now expect businesses to offer multimodal customer service options

Streamlined Workflows & Data-Driven Insights

Empower virtual agents to handle repetitive tasks like appointment scheduling or contest entries. This frees up marketing teams to focus on strategic initiatives and analyze valuable customer data collected through virtual agent interactions. A study by PwC found that 72% of consumers are satisfied with using chatbots to handle repetitive customer service tasks. These insights can then be used to refine marketing campaigns and optimize customer experiences

REGULATION, COPYRIGHT AND ETHICAL AI CONCERNS

- The rise of multimodal AI capabilities brings forth new challenges, including deepfakes, privacy concerns, and biases perpetuation, potentially facilitating abuse by bad actors
- In January 2024, social media witnessed a surge in explicit celebrity deepfakes, indicating an alarming trend of misuse
- Ambiguity in regulations poses a hurdle to aggressive AI implementation, with evolving legislation and political dynamics impacting adoption rates
- The European Union's (EU) Artificial Intelligence Act sets stringent measures to regulate AI, prohibiting indiscriminate data scraping and mandating transparency in AI systems, particularly concerning high-risk applications
- In the US, AI legislation remains fragmented, with the Biden administration issuing executive orders outlining AI requirements for federal agencies. However, comprehensive legislation at the federal level faces hurdles, particularly in an election year
- China has taken proactive steps in AI regulation, banning price discrimination by recommendation algorithms and mandating clear labeling of AI-generated content. Regulations on generative AI aim to ensure accuracy and truthfulness in model outputs
- Copyright issues surrounding AI training data remain contentious, with ongoing legal battles and the emergence of adversarial tools suggesting a potential arms race between creators and developers

Implications for Marketing

Combating Deepfakes & Misinformation

The rise of hyper-realistic AI-generated content poses a threat. Marketers must be vigilant about deepfakes and ensure the authenticity of all content used in campaigns. A 2024 Edelman Trust Barometer survey reveals that 80% of consumers are concerned about the potential misuse of deepfakes. Partner with reputable content creators and implement robust detection measures to safeguard your brand reputation

Privacy & Transparency Are Paramount

Consumer trust is essential. Be transparent about your use of AI and prioritize data privacy throughout your marketing campaigns. Comply with relevant regulations, such as the EU's AI Act which mandates transparency in AI systems, especially for high-risk applications. A 2024 study by PwC found that 73% of consumers want clear explanations from companies about how they use AI. This builds trust and fosters a positive perception of your brand's commitment to ethical AI practices

Avoiding Bias & Algorithmic Fairness

AI algorithms can perpetuate biases present in the data they're trained on. Marketers must be proactive in identifying and mitigating bias in AI-driven marketing tools. Partner with AI developers who prioritize fairness and conduct thorough testing to ensure your campaigns reach the right audience without discrimination. A 2024 survey by McKinsey & Company revealed that 60% of consumers have personally experienced algorithmic bias

SHADOW AI (AND CORPORATE AI POLICIES)

- The proliferation of generative AI tools poses legal, regulatory, and reputational risks for businesses, exacerbated by the widespread accessibility and popularity of these technologies
- Shadow AI, also known as 'BYOAI' or 'shadow IT,' presents a significant challenge as employees increasingly adopt generative AI tools without formal approval or oversight
- In a study by Ernst & Young, 90% of respondents admitted to using AI at work, highlighting the prevalence of unauthorized AI usage in the workplace
- While employee initiative can drive innovation, unauthorized AI usage may lead to security breaches, privacy violations, or copyright infringement, exposing businesses to substantial risks
- Organizations must prioritize implementing clear corporate policies on generative AI and provide comprehensive training to employees to mitigate potential risks associated with shadow AI
- As generative AI capabilities evolve, ensuring responsible usage becomes paramount to safeguarding business interests and maintaining regulatory compliance

Implications and Benefits for Marketing

Navigating the Copyright Maze

The legal landscape of AI-generated content is murky. Unapproved AI tools might utilize training data with unclear copyright ownership, leading to potential infringement issues. A 2024 study by Gartner revealed that 63% of businesses are unsure about copyright laws surrounding AI, highlighting the need for clear internal guidelines. Established policies can help your agency navigate this complex legal landscape and mitigate copyright risks

Building Consumer Trust: A Must-Win

Public perception is paramount. A single incident involving biased AI content or data breaches stemming from Shadow AI can erode consumer trust in your agency. A 2024 IBM study found that 78% of consumers consider responsible AI usage a crucial factor when choosing brands. Clear policies showcase your agency's commitment to ethical AI practices, fostering trust and strengthening client relationships

Optimizing Campaign Performance & ROI

Unapproved AI tools may not integrate seamlessly with your existing workflows. Shadow AI could lead to campaigns that utilize inaccurate data, target the wrong audience, or disrupt established marketing processes. A 2024 study by Dun & Bradstreet found that a staggering 59% of marketing campaigns fail due to poor data quality. Clear policies ensure your agency leverages reliable AI tools that align with your overall marketing strategy, maximizing campaign effectiveness and return on investment (ROI)
























MARKET TRENDS IN M&A WITH AI/ML COMPANIES

- 1. Targeted Acquisition of Expertise:** M&A allows marketing holding companies to acquire the specialized skills and talent of AI agencies. This injects a team of experts who can analyze vast customer datasets and translate them into highly targeted marketing campaigns for maximum impact and conversion. Studies show personalized experiences can increase marketing ROI by up to 15% (Forrester). Acquiring this expertise allows holding companies to offer these capabilities to their existing client base and attract new clients seeking advanced personalization strategies
- 2. AI-Driven Creative Powerhouse:** By acquiring an AI agency, holding companies can unlock new creative avenues. AI can analyze vast amounts of content data to understand audience preferences. This allows the combined team to develop data-driven creative strategies that resonate with target demographics. For example, AI can personalize video content at scale, with Wyzowl studies showing that 84% of consumers say video convinced them to buy a product. This approach leads to more effective and engaging marketing campaigns
- 3. Future-Proofing Through Innovation:** Acquiring AI expertise positions the holding company at the forefront of marketing innovation. They can offer clients access to cutting-edge solutions that leverage the power of AI to personalize experiences, automate tasks, and optimize campaigns across all channels. Gartner predicts that by 2025, AI will be responsible for creating 30% of all synthetic content. This means AI-powered content creation will become increasingly mainstream. Holding companies with in-house AI capabilities will be well-positioned to capitalize on this trend
- 4. Enhanced Efficiency & Cost Savings:** AI agencies often possess expertise in automating repetitive tasks like data analysis, reporting, and ad campaign management. This frees up valuable human resources within the holding company to focus on higher-level strategic thinking and creative problem-solving. McKinsey studies show that AI can automate up to 40% of marketing tasks. M&A can lead to significant cost savings and increased efficiency for the holding company, allowing them to invest resources in more strategic initiatives
- 5. Omnichannel Personalization Edge:** AI can personalize customer experiences across all channels (website, social media, email, etc.), ensuring consistent messaging and a seamless customer journey. This is crucial in today's omnichannel marketing environment. Evergage reports that 73% of marketers say personalization across channels is very important. Acquiring an AI agency allows the holding company to offer clients a comprehensive solution for delivering personalized experiences across all touchpoints, leading to increased customer engagement and brand loyalty

SELECT RECENT AI M&A ACTIVITY

2023 witnessed a slew of acquisitions of AI startups by big tech companies, signaling their clear focus on augmenting technological capabilities and expanding market reach. The aim was to integrate AI technologies into existing products and services and stay relevant in the competitive landscape. It also indicates that AI is not just an add-on but a core component of future technological advancements driving companies to invest heavily in startups.

As we look towards Q3 2024, Evalla Advisors predicts a shift in buyer activity where AI software platforms will emerge as major acquirers in the M&A landscape

Date	Acquirer	Target	Target Description	Target HQ	Enterprise Value (US\$m)	Target FTEs
Mar 2024	 Apple	 DARWIN AI	AI startup specializing in vision-based tech	Waterloo, ON	N/A	15
Feb 2024	 GENESYS	 radarr	AI-based social and digital listening, analytics, and consumer engagement company	Singapore	N/A	38
Feb 2024	 Jasper	 ClipDrop	AI image creation and editing platform	Paris, France	N/A	3
Nov 2023	 BigBear.ai	 PANGIAM	Vision AI for the global trade, travel, and digital identity industries	Tyson's Corner, VA	\$70M	54
Nov 2023	 Adobe	 Rephrase.ai	AI-powered platform for creating realistic videos with digital avatars	Bengaluru, India	N/A	50
Oct 2023	 AMD	 nod	Open-source AI software company	Santa Clara, CA	N/A	8
Sep 2023	 AMD	 Mipsology	AI software company specializing in AI inference optimization for embedded devices	Paris, France	N/A	27
Aug 2023	 airbnb	GamePlanner.AI	AI startup in stealth-mode	San Francisco, CA	\$200M	12
Aug 2023	 aws	 Fig	Maker of an autocomplete tool for terminals used by developers,	San Francisco, CA	N/A	10
Jul 2023	 databricks	 mosaic ^{ML}	Generative AI platform known for its state-of-the-art MPT large language models (LLMs)	San Francisco, CA	\$1.3B	72
May 2023	 amazon	 [SNACK]ABLE	AI audio content discovery engine	New York, NY	N/A	3
May 2023	 snowflake	 neeva	AI powered enterprise level search engine	Mountainview, CA	N/A	26

SELECTED TRANSACTIONS

Selected transactions completed by the Evalla Team

OKRP

Merged with:

 **BARKLEY**



Acquired by:

**mod
op**



CONTEXT

Acquired by:

**mod
op**

spm.

Acquired:


DREAMSCAPE MARKETING



Acquired:

eboost



QUIVERR

Acquired by:

 **ADVANTAGE
SOLUTIONS**

STERIL-AIRE™

Acquired by:

**MADISON®
INDUSTRIES**

Management Team

Acquired:

ZAMBEZI

Thank you!

When you're ready to sell, buy or raise capital, Evalla Advisors is ready to help you navigate through the process. Contact one of our partners to discuss in more detail.

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