



AI LEADERS PODCAST EP 72 THE AI REVOLUTION IN ADVERTISING TRANSCRIPT

Ludovic de Valon [00:00:00] What AI can bring to you for a large brand is the ability to basically create a lot of different versions of your campaign and your ideas for all sorts of use case.

Craig Vaughan [00:00:18] Hello! And welcome to another episode of the AI Leaders Podcast. Today we've got an exciting episode focused on AI in the advertising space. My name is Craig Vaughan, and I am a data and AI practice leader at Accenture where I spend a lot of time with clients who are players in digital advertising. Joining me today are two special guests, Ludovic de Valon from Amazon and Kevan Yalowitz from Accenture. Gentlemen, welcome. I'm going to hand it over so you guys can introduce yourselves. Ludo, would you like to go first?

Ludovic de Valon [00:00:49] Yeah, thank you. Thank you for having me. My name is Ludo or Ludovic. And so, I work for Amazon Ads in product marketing and I'm really excited to talk to you about AI and the innovations that we are bringing to the market.

Kevan Yalowitz [00:01:06] Very cool. Yeah, Kevan Yalowitz, I am our global industry lead for what we call software and platforms, which are digital natives and software players. And for the digital natives, much of their revenue is driven by advertising. So, we've been spending a lot of time over the past year looking at the impacts of AI in advertising. Mostly good, though some bad. So, I'm excited to get into it today with you and Ludo, Craig.

Craig Vaughan [00:01:31] Excellent. Well, we're going to take this discussion in segments. We'll begin with the impact of AI on ad campaigns. So let me pose a question just to get us going. What are you both seeing in terms of how AI is currently being used in ad campaigns? And what are some of the most significant changes that you're seeing being brought about? And Ludo, maybe let's start with you.

Ludovic de Valon [00:01:57] If you just allow me to perhaps step back a little bit before going deep in the advertising use cases for AI, because for Amazon, AI is pretty much everywhere at this point. Our CEO, Andy Jassy has publicly talked about our strategy of AI, which has really... We think about it as three layers of AI. So, you have a first layer that is called the infrastructure AI or the compute power and that Amazon powers that significant manner for our application and all use, but also for thousands of customers around the world. Then you have the second layer, which is a lot of people talk about it, which is the foundational model, the LLM. And we have developed ours. We also use models from several players, most players in the industry. Then you have the third layer, which is really been what customer or customer will see, a consumer will see, which are all the AI application, the use cases.



Here, you already probably have thousands of applications, and this is where my team focuses on those use cases. Because when we then think about AI in the context of advertising... We are really trying to solve real-life pain points of our customer. Advertising is not new, digital advertising is not new, but the pain point has been true for many, many years and we have been able to improve them and solve them incrementally. What I think AI is bringing is we are trying to leapfrog in many ways. I'll give you some examples. If you think about the advertising process, one of the biggest pain points is to have the right creative, a compelling creative, for the right publisher and the right format. While AI is able to solve for that by helping advertisers, big and small around the world, to create compelling assets, whether they are images or video or audio in a matter of seconds, simplifying a process that could have taken weeks and months before. I'll talk about probably more about that later, but we have launched products last year that are called Image generator, Video generator, Audio generator or the AI Creative Studio. All those products basically help advertisers create assets. That's just one example of a pain point at the early stage of the creative advertising process. Then if you think about the other step of the advertising process, it's really about media planning, media buying, media optimization. And historically, all those tasks were very manual and now AI is helping really improve this process. And so, we have launched products that, for instance, that are called performance plus or brand plus, which are basically trying to bring automation to the targeting of media campaign, finding the right customer for the product or service that one of our advertisers would want to promote and trying to optimize the campaign in order to maximize the impact of their advertising dollar. And whether the objective is to reach more customers, or to drive a conversion, like a sale of a product, for instance, we can see that AI is bringing significant value.

Kevan Yalowitz [00:05:36] Yeah, Ludo, those are great examples, and as we dive in, I actually do think it's worth us stepping back maybe even slightly further, because if you think about it... AI and machine learning have been out front in advertising for years, well before the hype of gen AI, right? You step back and you think, okay, well, we've been doing A-B testing for specific ads in advertising, for years. Maybe even a decade. Programmatic ads, in their nature, are underpinned by machine learning to determine where the right audience is for the right buyer at the right price point. So, I think that what's interesting is of any, frankly, of any part of the economy, digital advertising has probably actually been out front on this. So, what you're describing it's like, yeah, this step change requires less step change than other parts of the economy to actually bake AI in and make it real. So, I think hearing about how that's playing out at Amazon's super, super interesting. The acquisition point you mentioned is something that we are seeing as a really key area in ads. So, I'll give you an example, right? For most digital ad platforms, I'm assuming Amazon included... When you're attracting new advertisers, specifically if we're talking about performance advertising, so we're outside of the large brand advertisers, you're talking SMBs and you're talking mid-market. The effort to acquire one of those advertisers on the platform and keep them there is really hard, and there's a big marketing effort that goes into doing that. And in many of our clients, there's hordes of people creating content to do that acquisition around the world, and that's now getting way, way more efficient to at least start the top of the funnel with AI. Sometimes we focus on programmatic, ad creation, some of the things that are happening once a customer is in the funnel, but up funnel has been really impacted here in a positive way.



Ludovic de Valon [00:07:45] Yeah, I generally agree. I think the use case are different depending on the size of the company. If you're on what we define as enterprise, so larger companies, the reality is advertising has been around for centuries, but I would say modern advertising for a few decades. They've had access to advertising and all the evolution from radio to print, outdoor, TV, and digital for the past 20 years. It was perhaps not the most efficient process, but they've had access. It's capital-intensive, resource-intensive. What AI brings to them is the ability to be way more efficient, to go faster, and to do more. And I think, for instance, one use case that is super interesting to me is the notion of what I call versioning. So, if you are a brand that probably creates like a big campaign or a couple of big campaigns per year, it's a long and resource intensive process and you have the ability to create a certain number of assets, but it's not an unlimited number. What AI can bring to you for a large brand is the ability to basically create a lot of different versions of your campaign and your ideas for all sorts of use cases. So, one example is we have a brand called Whirlpool, so the appliances brand. So, they have their campaign, and they use AI to basically create versions of their campaign for holidays. So, whether it was Christmas or Thanksgiving in the US. And so basically keeping the idea of the campaign, the theme of the campaign, but creating different versions that align with the seasonal theme in the market at that moment of time. And we have seen that doing so improved the effectiveness of the campaigns. So, the click-through rate, for instance, improved significantly versus benchmark. That's just one example. That's for enterprise. If you take smaller companies like SMB in the world, AI is much more transformational because it allows access.

For smaller companies, they probably did not have access to a lot of the channels that you were describing, particularly to your point, upper funnel channels. Now with AI, well, they have the ability to not only access the tools and the media but create the assets that are required to advertise. The example here I can provide is if you think about TV, which is, has been the holy grail of advertising. TV was expensive and time consuming to activate. We launched last year a solution that is called Sponsored TV, which allows small companies to advertise on TV with no minimum budget in a few clicks directly in our ad platform. It's very seamless. And now with AI they will be able to create assets fit for the media, so TV in this case, much more easily than ever before. So, the notion is access. Sorry, long story short, I fully agree with your point here.

Craig Vaughan [00:11:23] I love your example on the TV, Ludo, because one of the things that I have seen quite a bit with some of the digital advertising platform companies that I work with is there's a movement towards how does AI create new capabilities that ultimately accrue to the company as differentiated value proposition, right? Because so many of these companies with the power of AI behind it can now create very different value props to potential advertisers. And in particular, SMB advertisers that are maybe looking for a very granularly defined audience or need a lot of handholding in terms of creating the ad content, getting that content created and all of its variations to support things like multi-channel campaigns with different form factors and so on. And we've seen some really, really promising work. Where new tools are being created for advertisers that ultimately help drive ROAS and just make the process much more efficient.



Kevan Yalowitz [00:12:30] Yeah, Craig, it's interesting. We did a study that came out at CES, because what we're trying to gage was what is advertiser readiness to go more all in here? And Ludo, I'm curious whether these numbers jive with you. But we found that, first and foremost, 57% of advertisers are changing their budget monthly. So, there's like a significant amount of experimentation going on in which if you're an ad platform and you come up with a really creative AI solution that can automate certain parts of the process, advertisers will very quickly move budget to your platform. So, there is a real platform opportunity. But the flip side that I think maybe I'm not entirely buying is 85% of advertisers are experimenting with AI. Maybe that's believable. But just 30% of workflows are actually ready to truly be fully automated. So, we're at this interesting precipice where there's a lot of advertiser intent, and there's experimentation, but they're not all the way there yet, which I think, Ludo, I think is an opportunity for the Amazons of the world.

Ludovic de Valon [00:13:46] Yeah, so I mean, I think it's early days, right? So, AI is an evolution of technologies that have been there, I mean 10 years ago, we were talking about machine learning, and it was the early days to some extent of AI. And with the rise of LLM, it's been a leap, but it's still early days. I think there is... A lot of companies are trying to figure out what are the key use cases and how transformational AI technology is going to be for their industry and their workflows. I think it's going to be different. I talked a little bit about that for enterprise versus SMB. I can give you a stat. If you think about Amazon ads in Q4 of last year, about 20% of advertisers have used AI, any of our AI tools. So, you know, at the same time, a lot because we have a large customer, advertiser base, but it's still early days, it's 20 percent. So that, I think, perfectly describes the state of AI. I'm really excited about where it's going. We can talk a bit more about that. But yeah, in terms of where we are, I would say it's a lot of experimentation.

Kevan Yalowitz [00:15:11] Yeah, it jives, frankly, with this sort of the last stat I'll give you from the study we did that jumped out at me was 80% of advertisers said that if a given ad platform has the right AI capabilities, they will in the next quarter move budget there. Like, you know, if that 20% is really happy, I'm assuming you're seeing some interesting shift in them to the platform.

Craig Vaughan [00:15:37] A hundred percent. And maybe we can deep dive a bit more into using AI on the content development piece. I think it's such an interesting topic where we're seeing so much experimentation. So just be curious to see how are you seeing it manifest with some of the companies that you're working with, Ludo? Are there other good examples of companies that are doing really interesting and cutting-edge things on AI for content development in an advertising context?

Ludovic de Valon [00:16:10] Content development I think about it in terms of form factors, like the text, image and video, audio. And it is a very visible application of AI. When I started explaining where we would use AI, I think I said it's everywhere within Amazon and perhaps sometimes the biggest impact is going to be less visible in our backend system, in the optimization. But for sure, content development is very visible, and we have launched last year Image generator, Video generator, Audio generator, and AI creative studio. And as the name suggests, those are tools to help advertisers develop AI-generated images, audio or short video from inputs that can be as simple as a back shot of a product.



And so I'll give you an example, if you are a toaster company, you may only have like a back shot on a white background of your toaster and now with only a few clicks you can have your toasters in use in the kitchen, with bread. And those create compelling images that are much more impactful for customers that may be interested in your category or your product. So, I think this is really today one of the main use case of AI. And if I look to the future, it is also probably one of the most exciting areas for SMB in particular. And I'll tell you why, because when you think about the advertising market, the holy grail has been this idea of TV advertising for the last, I don't know, 60 years. And the reason is that we have proven the power of sound, sight and motion in order to communicate a brand's value proposition, convey an emotional response from a consumer. But it has been extremely difficult for a brand to access that potential. And I don't know exactly how many TV advertisers you have out there, but they are probably in the thousands, dozens of thousands. But we know today that you have dozens of millions of digital advertisers that use Amazon, but also all the options that you have out there from Google, Meta, and others. And what AI is now going to bring is the ability to, it's a great equalizer in a way, because it will enable companies of any size to access this media, in this case, television, and allow any small company to compete with the big one by being able to create compelling video advertising in perhaps a few clicks and really access this opportunity to showcase their product or service to the consumer with a broad reach. And I think that application of AI to creative development and to all forms of creative. So yes, AI has been really good with text, is getting really, really good now with images, and video is the next frontier for me. I think this is probably one of the most exciting applications of AI in the context of the marketing world.

Kevan Yalowitz [00:19:58] Yeah, I could not agree more. I mean, it is such a democratizing force for SMBs and even the mid-market. And I would argue it actually probably extends outside of traditional linear TV. Like if you think about some underutilized mediums, right, I'll give you an example. So audio, right? If in that, you know, everything from Spotify to Amazon audio to Amazon music to Apple music. Consumers spend three hours a day listening to audio. Audio represents less than 2% of digital advertising spend. So, there's like a big disconnect in part of the market there. And obviously that's just yet another example. If you're an SMB, you can't go and create a compelling audio ad, right? Like it simply does not, it's not something you do with high production value. Now you can. And I think this idea of content creation is going to extend beyond that. We're also seeing this in the market at other places. So as an example, on the enterprise side, Coca-Cola is out there and they're creating, they're using Dall-E to actually generate artwork for their ad. So, it's not creating the entire ad, but it's doing part of it. And then you have platforms like Pinterest or Meta that are enabling this for SMBs for display advertising, but still allowing them to create high production value ad content that, by the way, can be tuned for an individual segment that you're targeting, which I think makes it, that makes it even more powerful because the issue with traditional linear ads historically has been you have one shot, right? You make your ad and it's, and it, you know, like cable channels have always been like the old school way to segment your audience. But now you can actually have an unlimited set of versions of a given rich media ad for specific segments in a specific context. And it gets really interesting, and I would argue really compelling for advertisers going forward. So, I could not agree more. I think your point's spot on there.



Ludovic de Valon [00:22:05] We see that. We know your point on creating more. We actually see that now already in our numbers. We have an advertising product that is called Sponsor Brand, which is when you sell on Amazon, you have the opportunity to showcase your product with more lifestyle, in-use images. Not in the search results but at the top of the page and so that's what the sponsor brand product does. And a key to have strong performance with this product is to be able to test and iterate, use with many different assets. And we have also then in turn seen that those who use that see on average 4% more sales, that we call sales lift, those who have used versus those who have not used. And it's just the direct outcome of being able to test more, with more assets, so you can optimize on what performed the best. And yeah, that's the power of AI just there. And it's still, you know, early days, as I said earlier, we have a long way to go.

Craig Vaughan [00:23:26] Yeah, I a hundred percent agree with you guys. I mean, I think this as such an extraordinarily interesting space in which clients we're working with are just doing really, really interesting and sort of forward-thinking things. I think one of my favorite examples is we work with a global beauty company that is taking this concept a little bit further and in that they're applying AI to user-generated content. So, if you think about just, the rise of social media as an advertising platform and how important that is when thinking about influencers and so on, right? What they're trying to solve for is, you have a bunch of user generated content, but there are ways in which you can take that user generated content optimize it, maybe even, you know, change it in some way to make it more performant from a ROAS perspective across a bunch of different digital channels. So, we're seeing really, really promising results on those experiments.

But I just love that example, because it's... you think about an SMB that maybe has a very, very small creative or marketing department, right? If they could empower their followers to start creating content on their behalf, that becomes a force multiplier. I in terms of what they're able to achieve in terms of reach.

Ludovic de Valon [00:24:47] I think that's right. The pursuit of efficiency tends to be higher in times of economic uncertainty, that's been proven empirically. But I would not say AI changes anything in terms of what customers or advertisers in this case want. You know, I've been in this industry for now a fairly long time and work for Amazon Ads now and some of our competitors before, and every single time I've talked to customers large or small, agency or partner, in any country of the world, their objectives are always the same. And they can broadly be categorized in three buckets. They want to build their brand by, you know, creating awareness of their brand. They want to acquire a customer, and they want to sell their products or service. So, with AI or not AI and maybe with AI more efficiently as we have been discussing, really the focus that companies should have and that certainly we have at Amazon is to say, hey, our service and advertising products can help you achieve your business objective. And if we do that well, if we can demonstrate the value, demonstrate the return on ad spend, return on investment, then our customers will continue investing, will invest more, will test more, will be more willing to test new products. And that's really the entire focus of myself, my team. We are not focusing on AI for the sake of AI. We are focusing on the AI for improved efficiency, the improved performance in our customer achieving the objective.



Craig Vaughan [00:26:43] So maybe I'll pivot us a bit and let's talk more about maybe just some of the challenges and opportunities. So, when I think about just sort of the, maybe the second order implications about this movement of embracing more AI and advertising, I think we hear a lot of concerns and sort of things to navigate that come up from the clients that we work with, like examples, data privacy concerns, new training and ways of working, how do you bring the workforce along for the ride, and the initial cost of implementation. How do you build that muscle inside a company such that they can actually use these tools and technologies? I'm just curious for both of you, what are you seeing in terms of the big rocks, big challenges that you think companies are going to face in using AI and advertising?

Ludovic de Valon [00:27:37] So, I mean, from my point of view, there is a lot of excitement from large, small companies or advertising partners or agencies. But the key question that always comes up is what are the use cases where AI is going to either enhance or replace in some cases in the advertising process. So, from strategy to advertising creation to media planning and buying and optimization. And so, I would say that the challenge is trying to figure out precisely what are going to be the permanent use cases because it's early days, the technology is changing really fast. We, Amazon, are launching enhancements to the tools we announced last year almost on a weekly basis, perhaps, we are improving those tools, and we will launch new products. So, all of that and the entire industry is doing so. So, I think we are in a phase of testing and iteration broadly speaking. And so that creates challenge because how do you deal with change management for your team and workflows and processes? And so, it's going to take some time before I would say everything stabilizes and AI matures. And that inherently creates challenges.

Kevan Yalowitz [00:29:07] Yeah, I still think that one of the biggest rocks here is being able to test or have visibility into actual outcomes of an ad. And we've seen over the past year walled gardens start to sort of evolve into walled compounds with partnerships across players that maybe once would have been competitors. I mean, Amazon and Pinterest have a partnership, right? Because Pinterest has great contextual advertising around what people want to buy and, I think I don't speak incorrectly, Ludo, that the partnership that Pinterest has with Amazon allows both parties to benefit and have that visibility and ultimately be able to provide a better ROAS to advertisers. Getting that right is tough, right? Because we do know that at most companies, data and data clarity, which I think, Craig, you could speak to better than anyone, remains a major barrier. So, if your data is not where it is, you're not really going to be able to have that signal that's required. And then bridging that across ecosystems is a huge potential unlock, but those types of partnerships are, I mean, they're... It's not as quick as AI, right? It requires negotiation.

Ludovic de Valon [00:30:35] On this, I think our philosophy with Amazon is, and I think our track record speaks for itself, is at the same time to be partnering with a vast array of stakeholders in the ad industry, from you mentioned Pinterest, but also, you know, other media company, data company, and trying to build tools and solutions that are interoperable between the companies. The goal here is to provide customers and agency control of what they want to use, how much integration they want or don't want. But at the same time, we do all of those integration and partnership keeping in mind privacy and customer data management.



And that's why we provide privacy safe tools to do that. So, there is the Amazon marketing cloud, the Amazon publisher cloud for different parties, which are solutions to manage data from different parties in a safe and private way that respects consumer and advertiser privacy. And I think this dual approach of being open to partnering but having an extremely high bar on data privacy, in my view, strikes the right balance. But it's certainly not easy to do.

Craig Vaughan [00:32:10] Yeah, I think this is, it's such an important point. I mean, if we think about just the adoption of AI across our clients generally, data privacy, data compliance is probably one of the number one issues we hear. And that's certainly true within an advertising context. I think about a conversation I had very recently with a client where they were contemplating using AI to do content generation. But the concern was, or the question was, how am I going to be protected if I have an AI-generated image that I use in an advertising campaign, what if somebody comes and makes a copyright claim on that image? I think it's a very real concern that I see pervasively. I think the encouraging thing that I also see from some of the technology providers that are providing these LLM capabilities is that increasingly, there's more indemnification for those types of actions. And you take a copy of, Adobe Firefly is a great example, where Adobe has trained Firefly on data that it owns the copyrights to. So that just becomes a faster path. But that's something I think is going to continue to evolve very, very rapidly. And it's certainly top of mind for the companies we're working with.

Kevan Yalowitz [00:33:30] Yeah, and I think as that gets solved, there is a potentially very large unlock, but it has to be done in the right way.

Craig Vaughan [00:33:40] Yeah, 100%. So how do, I mean, going back to just sort of the challenges and big rocks, when you think about how companies get started with this..., there's so many companies we work with, especially SMBs, don't have a lot of AI muscle. They don't have the technical skills, they struggle to figure out how to put together the technology stack, etc. So, Ludo, I'd be curious to see, do you have a formula in your head for how you would advise a company just to get started on some of these things.

Ludovic de Valon [00:34:12] The formula, well, it's our challenge as Amazon ads and to integrate AI in the tools and services that they already use, natively and in plain English without jargon, and to make it so evident that it becomes very natural to use those tools. So I'll give you, if you think about our Image generator, so from a back shot you can create compelling lifestyle images. It is integrated directly into amazon advertising console which is the tool that SMBs use to create and manage their advertising campaign. And when they want to create a campaign they have the options to either upload their assets that they would have developed themselves or create a net-new one directly with AI and it's all native within the experience. I think that's really the goal, to have a natural integration of AI... not asking SMB in particular, but also companies, on creating new workflows and new processes but trying to integrate into what they already use to either enhance or, in some cases, replace.



Kevan Yalowitz [00:35:40] Yeah, I think that makes a ton of sense and what we're seeing in the market is that most ad platforms are using this as an opportunity to be enablers of SMBs. The expectation is not that SMB needs to build a muscle on how to create an ad with gen AI themselves, but that this is the time for ad platforms to enable them to enable themselves to do it. I think I mean, Ludo, it sounds like everything that you just mentioned that Amazon is building does exactly that. So, I would be shocked if SMBs were not, you know, excited by that.

Ludovic de Valon [00:36:16] So the vast majority of companies that use our AI tools today are SMB.

Craig Vaughan [00:36:32] Yeah, this makes a ton of sense. I mean, I think broadly, we have seen that virtually every client we work with in every industry globally has done some level of experimentation with AI across a bunch of different functional domains. But over the past 24 months, that has largely been true. But the market is really at an inflection point where everyone is looking for sort of the scaled impact of AI. All right, well, I think we're going to leave it there for today. Thanks to all of our listeners for tuning into this episode. We've explored how AI is transforming ad campaigns, the challenges and opportunities it brings and how it's streamlining content development. We hope you found this episode insightful. Thank you, Ludo and Kevan, for your valuable insights on AI and advertising. We'll see you next time.

Kevan Yalowitz [00:37:20] Thank you.